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UNEMPLOYMENT, UNIONS *and* INFLATION:

of causation and necessity

SYLVESTER PETRO

AT A MEETING of the Mont Pelerin Society a few years ago, a controversy arose over the inflationary role, if any, of unions. Among the celebrated free-market economists present, all members of the Society founded by Friedrich Hayek shortly after World War II, Milton Friedman led a group which contended that since inflation is strictly a monetary phenomenon, and since unions do not control the money or credit supply, there can be no sense in accusing the union leaders of bringing about inflation, no matter what other sins they might be guilty of. Lawrence Fertig took the other side, with an assist from the English economists present, who pointed out that unions, especially in England, are considerably more than merely worker-representatives in disputes with employers, and that they have a great deal of influence one way or another, directly or indirectly, over the monetary policies of government.

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This article is presented here, by permission, from a paper delivered March 20, 1976, at Arden House in Harriman, New York, at the Fourth Annual Conference of The Committee for Monetary Research and Education, Inc., P.O. Box 1630, Greenwich, Connecticut 06830. The theme of the 3-day conference was "The Many Alleged Causes of Inflation."

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I contend here that Mr. Fertig and the Englishmen were correct – in fact far more correct than they themselves believed. I will show that unions not only can bring about inflation, but that they absolutely must do so in order to survive in the present context of policy and law, at least in the United States, if not everywhere in the western world.

The Role of Unions

We are hearing a great deal these days from such union leaders as George Meany and Leonard Woodcock of the vicious inhumanity of current monetary and fiscal policy, which, according to them, is dooming millions of Americans to the sterile lives which mass unemployment creates. These men and hosts of other union leaders and supporting politicians and intellectuals blame "greedy" businessmen for inflation and an "insensitive" administration and Federal Reserve Board for unemployment. Everybody is to blame, it seems, but the unions. In my opinion there is no hope of a solution of the unemployment-inflation problem till ruling opinion understands that it is brought about largely by our labor policies and the power and the predicament they have created for the big unions.

Admittedly, unions *alone* cannot cause inflation, and if unions disbanded, inflation might still occur. Nevertheless, I will show that right here and now – current national labor policy being what it is – unions are driven by the instinct of self-preservation to join with other forces to bring about inflation and that, moreover, they rank today among the most powerful and pervasive of all the inflationary agencies in the country.

In a different setting, some other impulse may take over the inflationary role that circumstance, policy, and law presently assign to unions. For so long as we have fiat money and legal-tender laws we shall have inflation. Politicians and bureaucrats, in office or aspiring, will never be able to resist the temptations extended by the exciting possibilities inherent in what amounts to a license to engage in counterfeiting. Who could?

But while another agency may in another time provide the impetus – or flick the inflationary switch – unions at present fill the role. They constitute the pre-eminent political pressure group in the country, and all their pressures coalesce to produce conditions in which the inflationary measures so congenial to power-hungry bureaucrats and demagogic politicians become politically propitious if not mandatory.

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I. Inflation Defined in Search for Its Causes

Certain aspects of the controversy concerning unions and inflation trace to unnecessary terminological difficulties and to confusion over the causation question.

Some define "inflation" as a general increase in price levels, others as any increase in the money supply, whether or not such an increase results in generally higher prices. Let us call the first usage "price-inflationism" and the second "money-inflationism."

In this paper I adopt the "money-inflationist" definition, and I do so because it advances and clarifies analysis — a plenty good reason for preferring one definition over another — while the price-inflationist usage fails to do so, or to do so as well. Thus a price-inflationist is likely to believe that he has exhausted inquiry when he discovers (if he ever does) that a necessary pre-condition to a rise in the general level of prices is an increase in the quantity of money (in the broad sense) greater than the concurrent increase in productivity. He is likely to announce that *the cause* of inflation has been located and that the cure lies simply in keeping the money machine from cranking out *excessive* increases in the money supply.

There is a fine and perhaps even appealing technical rigor to the analysis, but it is nevertheless seriously deficient, and if one adopts the money-inflationist definition, this deficiency appears immediately. Whereas the price-inflationist may say that inflation is *caused* by an abnormal increase in the money supply, the money-inflationist says that inflation *is* an abnormal increase in the money supply. Thus, whereas the price-inflationist's causal search ends quickly, the money-inflationist's only begins with his definition. The price-inflationist stops thinking when he concludes that abnormal increases in the money supply cause prices to rise generally. The money-inflationist, on the contrary, is compelled to begin thinking at the point where the price-inflationist stops.

The money-inflationist must ask himself: what is it that induces a nation to want — or even merely to accept — a policy of deliberately tampering with the quantity and hence the objective exchange value of money (in the broad sense which includes all fiduciary media)? Surely the laws against counterfeiting bespeak a general understanding among the citizenry of the seriousness of counterfeiting as a species of theft. Consider the comments of Tom Buell, the Tory counterfeiter, in Kenneth Roberts' novel, *Oliver Wiswell*, written about the Revolutionary War from

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the point of view of American loyalists. Completely contemptuous of the rebels and of the mob rule and demagogy favored by many of them, Buell sneered at the near-worthlessness of their fiat currency and considered the dollar bills he produced on his own press in every significant respect as good as those which Congress forced people to accept as legal tender. Said Buell of the Continental forty-dollar bill:

> That's all it's worth now. . . . That's all it'll ever be worth, after a few more people find out what it's worth, meaning nothing. My forty-dollar bills are just as good as Congress' forty-dollar bills, neither me nor Congress having anything to make 'em good with, so I got just as much right to issue 'em as Congress has. The rebels called themselves a government, didn't they, even though you and I and a million other Americans didn't want 'em to do it, and knew they hadn't any business to? All right: I'm a government, too, Oliver! I'm the government of New India, up on Passamaquoddy Bay! This money of mine, it's the legal currency of New India, and I raised it by taxing myself. If I was a private individual, I'd be more careful; but being as I'm a government, I'm privileged to make a God-damned fool of myself in any way I choose, especially by spending a lot more money than I've got or ever will have, and promising to do things that I ain't got a chance of doing.

Neither politicians, nor bureaucrats, nor citizens are about to accept Buell's position and allow free printing of dollar bills. While that much is obvious, its implications and the questions they raise are not. Why do we all approve of the laws prohibiting counterfeiting while the vast majority of Americans – including distinguished economists – continue to approve the activities of the Federal Reserve Board, even though, from the point of view of economic law, there is no difference between an increase in the monetary supply brought about by discreet counterfeiting and one brought about by the Federal Reserve Board. (I would go further and say there is no difference from the point of view of sound law, either, but that is another subject.)

Flicking the Switch

The explanation lies in a set of facts from an examination of which the inflationary character of our current unionism clearly emerges. Before we go into detail, however, it seems useful to say something about causation for the benefit of those who believe that only the activities of the legal monetary authority – the Federal Reserve System and its satellite banks – can cause inflation.

If, when I flick the switch, the light goes on, is it not meaningful

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and, in a certain sense at least, correct to say that I have caused the light to go on? I have not been the sole and sufficient cause; there have been many others: the architect, the building-contractor, the electrician, the scientists who learned something about the natural forces which we call electrical, the natural forces themselves, and on and on to the impenetrable and inexplicable mystery which the ancients called the unmoved mover.

Yet it remains true that I have been the specific cause in the particular case. For despite their significance and the indispensable character of their contributions, the other elements in the causal chain did not produce the result; but for my willed and deliberate action the light would not have come on. I, therefore, have been *the cause that matters;* they, relative to me, have been only the *conditions* within which my causal impulse has been operative.

In the same way, unions are among the causes that matter in producing inflation. To repeat, if we were to abandon fiat-money policies, unions could not bring about inflation; but then nothing else could, either – except reinstatement of the fiat-money system. In the kind of fiat-money system we have, the Federal Reserve Board, the printers it employs, the paper manufacturers, and the other means by which it transmits its money-and-credit increasing policies – they all occupy the same position that the architects, electricians, natural laws, and so forth occupy in the production of light when the switch is flicked.

Let us call them *conditions* in which causes may be operative, rather than causes themselves. The term "cause" we shall reserve for teleological agents – persons who bring about certain results because those results are congruent with or necessary to their purposes.

Who Activates the Presses?

In an inquiry of the present nature, this is the only kind of causal analysis which makes any sense. We are not concerned particularly to discover laws of nature or of economics; we don't care about printing technology. What we want to do, if possible, is to eliminate inflation because it threatens the survival of society; and in order to eliminate it we know that we must fix responsibility with precision among the human actors involved – simply because that is the only area susceptible to the kind of corrective available to us. For example we should find the prob-

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lem insoluble if, by some perversity, nature inflicted upon every commodity which we adopted as a medium of exchange the same disease of uncontrollable proliferation which afflicts fiat money.

Instead of stopping with the Federal Reserve Board and its quasi-counterfeiting capacities, then, we must ask: who or what turns the Federal Reserve Board on? When we have answered that question we shall have fixed responsibility for the inflation we are suffering now.

The ultimate cause – the prime mover – is, speaking comprehensively, the desire to have a booming economy, in which there are high wages, high profits, and no unemployment, combined with the belief that poverty and unemployment must be combatted by easy money, or by deficit spending which amounts to the same thing.

* * * * *

To sum up the discussion thus far: in the fiat-money system now operative in the United States, increases in the money supply may be the immediate "material cause" of inflation, *but the ultimate causes lie in those agencies whose activities bring about states of affairs which prevailing opinion believes can be cured only or best by inflationary increases in the money supply.*

II. Enter, the Unions

Unions fit into this scheme of things as the actors who do and must bring about the conditions which, in the current state of opinion, can be cured only by easy money. As the chief (though by no means unique) producers and promoters of industrial and financial stagnation and hence of unemployment and misery and poverty; as the most tireless advocates of trade-restrictionism and governmental-expansionism, especially by way of deficit-spending; and finally, as the most powerful, arrogant, and aggressive political force in the country – our trade unions are easily entitled to be called the preeminent teleological agents of the inflation now loose in the country. For their prime directive, the chief purpose of their actions – their own survival and aggrandizement – forces them to hit the inflationary switches constantly. In a more sensible frame of labor law and labor policy, unions would have no more power to bring about inflation than any other private agency; but as matters now stand, they are forced by their determination to survive as the beneficiaries of extensive special privilege to bring about states of affairs which produce inflationary increases in the money supply more or less directly.

In order to make the analysis

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reasonably complete and convincing, I must establish (1) that unions have the power to bring about the conditions which current opinion is determined to remedy by inflationary measures, and (2) that in the current structure of law and policy unions *must* create those conditions, if they wish to survive. When these things are established we shall understand (3) why unions as political agencies engage in inflationary activities and promote inflationary policies.

Compulsory Collective Bargaining

Taken all in all, the current structure of labor law and labor policy is a vast and infernally complex machine for eliminating all competition in labor markets by promoting compulsory and monopolistic collective bargaining. The ultimate objectives are variously stated — to produce "industrial peace," to eliminate "commerce-impairing strikes," to equalize bargaining power between powerful employers and powerless employees, or, by "taking wages out of competition," to get for workers higher wages and better working conditions than they are able to get by individual bargaining on free labor markets.

This is not the place for a detailed description of the many ways in which prevailing law and policy create in unions the power to secure for their members wages and other labor returns higher than those which would prevail in free labor markets. A brief account of two of the most significant features will have to suffice as illustrations.

The first and in my opinion the most significant source of monopolistic union power derives from the virtually universal failure of governments in the United States to prevent unionists from violently excluding competitive workers. A great deal of nonsense is heard on this subject. It has been fashionable, for example, to say that "labor violence" is now a thing of the past, and that such violence as existed in the past was mainly the doing of vicious anti-union employers. Both assertions are sheer fabrications.

There is at least as much violence going on now in labor relations as there ever has been, maybe more — and this in spite of the fact that relatively few employers, having learned the sad lessons of the past, dare come to a confrontation by operating plants during strikes. If they do, you can win money betting that there will be violent attempts by the strikers to keep the plants from operating. And in the past, exactly as now, the aggressors have always been the strikers and their union lead-

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ers. Consider the fate of the "liberal," pro-union, pro-collective-bargaining *Washington Post* in its recent dispute with its printers.

Such occasional employer violence as has existed has always been in the nature of self-defense, a fact which emerges from even the many biased histories of labor violence, if closely read. For the authors of such works are really saying that employers are in the wrong when they "provoke" union violence by rejecting demands for a "living wage," or when they hire private police to protect their plants against violent strike aggression.

Employers would be guilty of the aggressive kinds of violence common to unions only if they went forward violently to compel strikers to return to work. This they have never done, and have never even been accused of doing.

Monopolistic Wages

Strike violence produces monopolistic wage structures—wage rates higher than would otherwise prevail—by denying competitive workers access to the labor markets in question. It analyzes out as no different from any other exclusive franchise or monopoly grant. The same is true of the other basic and equally destructive special privilege that unions possess – this one granted them by contemporary labor relations legislation: *exclusive representative status*. If a union gains the support of a majority of employees in an appropriate bargaining unit, that union becomes the exclusive bargaining representative of all employees in the unit, no matter how small and contrived the majority may be, no matter how egregiously the NLRB may rig the election, no matter how outrageously the bargaining unit may be gerrymandered.

As exclusive bargaining representative, the union is, so long as it retains such status (an important qualification, as we shall see), what may be called an intra-unit monopolist. It is the only agency that the employer may legally deal with over wages, hours, and other terms and conditions of employment. The employer may not even discuss with dissident employees in the unit any subject which comes within the legally mandatory bargaining range.

If the collective bargaining comes to a bona-fide "impasse" (a literally indefinable condition) the employer is privileged technically to offer directly to the employees the same wages and other terms and conditions which the union has rejected, but if he departs from them at all he is certain to be held guilty of an unfair practice and ordered to resume bargaining with the union. Probably other more or

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less serious penalties will be imposed.

If he is guilty of no unfair practice during or after the impasse, he is privileged to lock out the unionists, and they are privileged to strike. However, if there is a strike, and if the employer attempts to keep the business going during the strike by offering striker-replacements terms of employment which the union has rejected, in 99 cases out of a hundred there will be vandalism and violence – which the police will in more cases than not be either unwilling or unable to prevent or control.

Of the numerous cases I have read about or observed first hand, I can say with confidence that in not a single one has a resisted strike been free of violence and intimidation, overt or covert. By necessary inference, the terms and conditions of employment negotiated under the regime of the exclusive representation principle, complemented by the virtual legitimization of union violence in bargaining impasses, must therefore be regarded as containing a monopoly premium. Labor costs under such a system *must* be higher than they would be in freely competitive labor markets.

Collective bargaining must not only produce a monopoly premium in the form of labor returns higher than those which would have been forthcoming from individual bargaining. Much more importantly, from the point of view of the union leadership, the existing union members must be convinced that they have made such a monopoly gain. Otherwise they will leave the union, and the union leadership would, by virtue of the laws which gave it to them, lose their status and power.

Leaders Must Convince Members Concerning Monopoly Gains

We reach here a critical point. If they wish to retain power, union leaders must convince their members that they have been the beneficiaries of monopoly gains. But such gains carry with them as an inseparable cost that which is implicit in every significant monopoly: namely, a reduction in the production which would have occurred but for the monopoly condition. The necessary consequence of monopolistic labor returns is relative unemployment. The cost of compulsory, monopolistic collective bargaining is continuous and progressive unemployment. No union leader can stop with one monopoly gain. His members are not content to continue paying dues forever on the strength of one large increase in the past. Each union member is always asking of his leadership: "What have you done for me *lately*?"

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Hence union leaders under current labor law and policy are driven to a never-ending career of monopolistic wage-setting. This is another way of saying that they are doomed eternally to use every political, economic, and physical measure available which will tend to (a) produce as many employment opportunities for their members as possible and (b) to eliminate as many contenders for those employment opportunities as possible. Like all monopolists, unions must be interested equally in the shape of their demand and supply curves.

Besides their vital interest in eliminating as much competitive labor as possible and expanding job opportunities to the greatest possible extent for their own members, union leaders are driven by one more unremitting goad: they must keep alive the destructive myths and superstitions upon which class-warfare thrives.

If the union leaders for one moment admitted to their members the obvious truth that employers and employees are bound together by the strongest bonds of mutual and reciprocal self-interest known to mankind – perhaps exceeding even the family bond – the party would be over as far as the union leaders were concerned. They might continue to exist in certain special cases, but as founts of the kind of glory, power, opulence, and influence which they now enjoy, they would be ciphers.

Once employees learned that they have deeper and more permanent common interests with their employers than they do with their union leaders, unions as we now know them would be no more. Hence, the third of the ineluctable necessities which account for the inflationary activities of unions is the necessity to discredit and to undercut the business community and to deride the rights and privileges indispensable to the survival of the enterprise system.

III. Political Action of Unions

Having now examined the imperatives at work in the quest among labor leaders for survival and power, let us observe the union leaders in political action. For in doing so we shall be able to double-check the analysis thus far. If we find that their political activities fall dominantly in the categories of (1) elimination of competitive labor, (2) creation of as many jobs as possible, useless or not, for their own members, and (3) advancement of measures designed to debilitate the enterprise system, we can be fairly confident that we have been correct. Furthermore, if we find that all their activities add up to conditions in which inflationary measures are made politically irresistible, then we can be

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sure that we have been correct on that score, too.

A standard economic analysis holds that unions cannot be responsible for inflation because if they push labor costs and hence prices above market levels in the sectors where they have monopoly power, the ensuing unemployment, owing to labor mobility, tends to push wages and hence prices *down* in the competitive sectors. Thus no *general* increase in wages and prices (and no "inflation" as that term is often defined) occurs. As Albert Rees put it, unionism "alters the wage structure in a way that impedes the growth of employment in sectors of the economy where productivity and income are naturally high and that leaves too much labor in low-income sectors of the economy."

All right as far as it goes, the analysis does not go far enough. The economics are sound, but the more significant political analysis is nonexistent. Unions are not content to let the unhampered market take care of the unemployment they have created. They are not content to do so because they cannot afford to do so. Experience and common-sense economics have taught them that their positions are fatally threatened whenever and wherever they leave labor markets free.

Unions cannot afford to have vast numbers of unemployed overhanging the labor market, even if they are able to erect impenetrable monopolistic walls around the sectors of the labor market that they wish to control. The free enterprise system is too flexible, too resilient, too adaptable, too mobile. If they leave freedom anywhere, the stultified, monopolized areas will soon die, as the textile industry has died in New England only to emerge more productive than ever in the still nonunion South. The only way they can retain their monopolies, the union leaders have found, is by destroying these characteristics of the system, and hence the system itself. Never take the anti-communist, anti-fascist protestations of the union leaders and their economic advisers and apologists seriously. They may not know what kind of a system they are building, but disinterested observation should certainly be able to see how their efforts, intentionally or not, are destroying the enterprise system.

Eliminate Competition

Unions are preoccupied first and foremost to eliminate entirely from all labor markets any competition that would endanger their monopoly positions. This motivation explains the overwhelming energies they expend in promoting laws forbidding child labor and

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fixing minimum wages high enough to reduce white teenage labor and virtually to nullify black teenage labor. It also explains the otherwise inexplicable union pressure for welfare payments so high that they create a permanent corps of unemployed. And there is no need to say much here about union efforts to eliminate competition from imports, for these are a way to eliminate competition from foreign workers, just as high minimum-wage laws eliminate competition from marginal domestic workers. Everyone should be able to think of other such competition-excluding political pressures by unions.

What has to be grasped here is that if unions do not in one way or another either exclude people entirely from labor markets or bribe them to quit looking for work, the enterprise system is bound to put them to work, provided the private sector is allowed to retain some of the capital it creates. One might think that unions would find it desirable to promote all political measures designed to provide ever-increasing private-sector employment: reduction of corporate taxes, elimination of capital-gains taxes, allowance of realistic accounting, removal of nonsensical and debilitating regulatory schemes, and so on. The only possible reason for their thus far successful opposition to such obviously beneficial policies is that they cannot afford to either let the enterprise system run loose or admit that capitalists and entrepreneurs are by far the best if not indeed the only members of society who can be called uniquely consumer-servants. If they allowed the enterprise system to run loose, it would soon seal them off, leaving them in little pockets of scar tissue, and the action would move to the areas in which they lacked monopoly power.

In fact, something like that is going on right now. In spite of our determined efforts over the last generation to destroy the enterprise system, it is still producing and, closer to our purpose, it is simply going around the unions. Consider companies such as I.B.M. with no unions at all; G.E., no more than half-unionized; the construction industry, where unions are losing ground day by day; the printing industry, likewise. Consider also the flight of the textile industry to the nonunion South, already mentioned. Consider finally that even in the representation elections often rigged by the National Labor Relations Board in favor of unions, year after year at least one-half of the votes, and usually more, are against union representation.

Yes, indeed, union leaders, like

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all legally sheltered monopolists, have much to fear from the unhampered market economy.

Preserve Jobs for Members

Besides the necessity of ousting as much competitive labor as possible, unions are faced with the need of preserving as many jobs for their own members as they can. If they do not, they cannot hope to keep the power-base so vital to the political influence and the economic affluence which they cherish. This inexorable drive also must be channeled along destructive ways. Their class-warfare anti-capitalism and their promises of labor returns higher than those produced by competitive labor markets prevent them from encouraging the growth of employment in constructive and productive ways. So how do they direct their awesome political influence?

While innumerable examples of destructive political action by unions are available, let us focus attention on only two of their most recent endeavors. The first is the common-situs picketing bill. Readily available facts demonstrate that the unions spent enormous sums in the form of political contributions to get the bill passed. Its obvious purpose was to preserve as many jobs as possible for unionized construction workers – jobs which the unions themselves had helped to destroy directly by the monopolistic wage structures in construction that they have created and indirectly by the many measures they have supported which have contributed to the general debility of the economy.

Persons unfamiliar with the field might find it hard to believe that unions should be interested in pushing a bill which, but for the President's veto, was bound in the long run to hurt rather than help the construction industry. The explanation is simple. The unions are not interested in the health of the construction industry – or for that matter any other industry; despite their protestations, they are not interested in full employment. They are interested only in such employment as strengthens or preserves their power base. And that is why they pushed so hard for the common-situs picketing bill. It would have reduced private construction employment, but, and this is the only thing the union leadership cared about, it would have reinforced their monopolistic control of such employment as remained. And they would resort to further political action to soak up the unemployment attendant upon the situs picketing bill.

The six-billion-dollar public works bill, also passed overwhelmingly by a union-dominated Congress but vetoed, provides an ex-

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ample of the way in which unions thus act to soak up by political means the unemployment they play a critical role in creating by the exercise of legislatively granted monopoly powers. There can be no doubt about the fact that the unions were the most powerful and persistent lobbyists for this measure, for again available records attest to the influence they exerted. And again there can be no question but that the unions pushed for this bill because it promised to relieve some of the unemployment among union members that the unions have themselves created.

Promote Inflationary Measures

The six-billion-dollar public-works bill is extremely significant to our present inquiry. Besides showing how unions are compelled somehow to compensate for the unemployment they create, if they are to preserve their power base, it shows also how the unions are compelled to compensate by inflationary measures, not by measures which would at once combat inflation and contribute to the health of the economy.

Observe the political trap. On the one hand, unions cannot possibly push for measures which would encourage the growth of private capital without exposing the myth by which they survive — the myth, that is, that workers and employers are natural antagonists, that the "trickle-down" theory of universal prosperity is a cruel hoax. On the other hand, they cannot push for public-works and other governmental spending programs financed only by taxation, because in order to keep their bamboozled members, already overtaxed as they are, they must resist higher taxation of the "middle class," and they know that the rich, no matter what union demagogues say on the subject, are already taxed to the limit.

Albert Shanker, president of the American Federation of Teachers, documented this point in a recent news release in which he expressed "strong support" for a bill in Congress which would provide emergency aid to local school districts facing severe budget crises[1]. Everybody knows that the teachers' unions are mainly responsible for the budgetary crises of the schools. Everybody also knows that local taxation has about reached the limit and that everywhere local communities are voting down bond referenda designed to produce public-school financing. In these conditions, Shanker had no alternative but to support legislation which would provide federal-

[1] American Federation of Teachers, News Release, Feb. 3, 1976.

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government financing of the local public-school deficits.

And where is the federal government to get the funds with which to finance all the unemployment which the unions are compelled to create if they wish to retain power? Let us review the ground we have covered, adopting the point of view of a union leader who is naturally concerned to preserve the economic and political powers which have accrued to him:

• a. He has a monopoly position from which he derives satisfying economic affluence and heady political influence.

• b. This monopoly position absolutely depends upon a conviction among the workers he represents that they derive greater returns from collective bargaining than they would from individual bargaining.

• c. Such a conviction can be preserved only by persuading workers (i) that employers and free labor markets are their natural antagonists and (ii) that militant unionism is the only possible means of achieving higher than market wages.

• d. Higher-than-market wages cannot possibly be gained without creating significant unemployment.

• e. The workers unemployed by monopolistic wage structures cannot be left free to overhang the market, for if they are it will be impossible for unions to produce monopolistic wage settlements. In short, the union leaders must strive endlessly to immobilize the competitive or potentially competitive workers, and they must do this by governmental subsidies and proscriptions, not by measures which encourage the growth of private capital.

• f. Thus unions must push endlessly for minimum wage laws, tariffs, ever-increasing unemployment compensation, high and early pensions, profligate welfare programs, and all other conceivable devices for keeping potentially competitive workers out of labor markets.

• g. At the same time, they must find some way to maximize the employment of the number of members they need in order to preserve a credible economic and political power base.

• h. Since state, local, and federal tax sources are now for all practical purposes exhausted, only one source of funding remains: federal deficit-spending financed by inflationary increases in the money supply.

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IV. A Case in Point: The Humphrey-Hawkins Bill

I believe I have made my point: unions not only do but must cause inflation; indeed, in the current structure of labor law and policy they are absolutely constrained to do so if they wish to survive.

It will be useful, I believe, to conclude with a discussion of a union-backed measure which ties the unions even more closely to the inflationary process. I refer to the Humphrey-Hawkins Full Employment Bill. A recent story in *The New York Times* about this bill shows how it provides us with a perfect paradigm. *The Times*[2] said that:

> Representatives of three centers of influence in the Democratic Party – the A.F.L.-C.I.O., the Congressional Black Caucus, and Senator Hubert H. Humphrey of Minnesota – have been quietly negotiating for weeks in an effort to draft legislation that would commit the Government to create a job for everyone who wants to work.

The obvious purpose of the bill, as it seems to me, is to rid the unions forever of any fear that they will be held responsible for the unemployment they create. An equally obvious purpose, though not yet completely worked out, is to eliminate any possibility that the Federal Reserve Board will ever pursue deflationary policies, or even merely anti-inflationary policies. As *The Times* story has it, the bill:

> would augment the Employment Act of 1946 . . . by requiring the President to propose and Congress to pass, each year, specific numerical goals for employment, economic growth, and changes in the price level . . .
>
> The subjects to be covered by the annual economic policy resolution would include the monetary policy to be followed by the Federal Reserve System.

There you have it. The Federal Reserve Board has been called an engine of inflation. Because of union sponsorship of the Humphrey-Hawkins Bill, *The Times* story suggests that there is no hope of getting the A.F.L.-C.I.O. "to agree to any provisions . . . that appear to be imposing restrictions on the ability of unions to seek higher wages for their members." So if the Federal Reserve Board is an engine of inflation, we know who the engineer will be. And this should put an end to debate over the causation issue.

One of the more repugnant features of these unlovely times is that the union leaders who have succeeded in selling so many intellectuals a bill of goods are in their petty pursuit of affluence and influ-

[2] *New York Times*, p. 1, Feb. 16, 1976.

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ence getting away with measures which not only abuse simple workingmen but also are likely to destroy the economy. A particularly ugly touch is added to this repulsive picture by the cooperation of the Black Congressional Caucus. There can be no doubt that the big monopolistic unions have been the worst enemy that American blacks as a whole have had since 1865. If the Humphrey-Hawkins Bill is passed and enforced, the condition of American blacks is likely to be even worse than it was before 1865. They are likely to become permanent wards of the State, and it won't make things any better that we'll all be in the same position.

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IDEAS ON LIBERTY

No Eggs, No Omelet

IN ORDER for me to eat an omelet, some chickens have to lay some eggs. If there are no eggs, there can be no omelet . . . and I might have to be satisfied with cereal. That might hurt my feelings, but that can't be helped. Sooner or later, reality has a way of asserting itself. In our complex economic system, it frequently happens later . . . but it happens, nonetheless. Those who claim that they have a right to be non-productive because others are non-productive, too, are ignoring the basic fact that everything that is consumed must be produced by somebody. And anything that expands the number of non-producers, or the amount they consume, puts an extra burden on the producers. It can't be any other way.

From an editorial of April 5, 1976, by TOM ELKINS, Manager, KNUI Radio, Kahului, Hawaii

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ROBERT G. ANDERSON

"Consumption is the sole end and purpose of all production." Adam Smith pretty well said it all with that statement two hundred years ago in *The Wealth of Nations.*

Unfortunately, this basic economic truth has been all but lost in today's world. The public press and political rhetoric today focus attention on creating employment. The plight of the unemployed and the presumed inability to obtain employment have become the overwhelming concerns of our society.

This concentration upon job creation has tended to conceal the ultimate end toward which a job is directed. Full employment has become an end in itself and society is assumed to have attained its final goal if all are employed. The prevailing economic wisdom holds that the purpose of production is to create jobs; but, in reality, we produce in order to enjoy the fruits of production.

While it may indeed be true that work can build character and is valuable for that purpose, this does not negate the economic necessity that the job be productive. In a free society, as Adam Smith observed, we produce in order that we may consume. Job creation, which generates greater production grows out of the desire for greater consumption.

The pursuit of full employment as a political goal is in total conflict with the ideal of a society of free individuals. The political goal of "job creation" not only involves the use of force, but will assure a waste of scarce resources by massive misallocation within the labor market.

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In a free society the desire to consume more will generate productive work. The creation of "jobs" by political action, however, will hamper productive effort by siphoning scarce resources away from the market into the public sector.

In an unhampered market society all individuals seeking productive jobs can find employment. With unrestricted competition among employers, and a freely adjusting wage rate, there would be employment for all who wished it. Each individual, guided by his own self-interest, would maximize his productve work in an effort to achieve his goal of greater consumption. The jobs so created are the basic means by which individuals acting voluntarily and peacefully can attain a higher level of consumption.

Tragically, our society today does not enjoy the benefits of such freedom in the economic sector. Government intervention over many years has generated massive distortion and permanent unemployment within large sectors of the labor market. Union cartels, protected by various laws, effectively exclude competing labor; minimum wage laws bar low-productivity workers; welfare legislation encourages people not to work; and government-generated inflation in the pursuit of "full employment" creates inevitable economic recessions. These forces, and many others, have established a continuing corps of unemployed, or worse yet, the so-called "unemployables."

Rather than examine the political causes of unemployment, and the resulting loss of consumption generated by such unemployment, all political attention is focused on unemployment itself. Again, it is a case of government attacking the adverse effects of its earlier actions rather than ceasing the interferences that have caused the problem. Ironically, the remedy continues to center on the effect rather than the cause of government-created unemployment. The problem thus is being aggravated by such attempts to solve it.

The political answer seems so simple: The way to eliminate unemployment is to make the state "an employer of last resort." After all, socialist societies have no unemployment problem. The socialist system assures every individual a "job." Why not borrow another of the socialist "virtues" in order to "solve" one of our major economic dilemmas?

But that is to lose sight of the problem: We do not seek jobs for their own sake; the end we seek is improved consumption. Unless work will generate greater produc-

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tion of those goods individuals wish to consume, it is wasted effort and should be avoided. Work is a great consumer of resources, (we wear out) and employment is beneficial *only* if it yields a return greater than the value of the resources expended.

The failure to understand this economic truth has led to such policies as "featherbedding," shortened hours of work, restrictive work rules, attacks on automation, and the like. The false belief that there exists only a given quantity of work, and that more jobs can be created only by dividing this work among more people, has led to the adoption of such programs.

In reality, there can never be a shortage of work. As long as individuals possess wants, the demand for their fulfillment will always be present. The employment of labor is a never-ending race to satisfy more and more of man's wants. The creation of jobs is a natural consequence of the insatiable human desire to attain an ever higher level of material well-being – and there is no other way that can be achieved.

This improvement in well-being depends upon more productive work. The objective of every job is "to get more goods out of the woods in a shorter period of time!" This is the only way man has ever been able to improve his material circumstances. In a free market society it is the combining of labor with capital (better tools) in a social division of labor that has brought about this result. Labor, employing an ever-increasing quantity of capital, generates a higher and higher productivity, with its ultimate benefit in a higher level of consumption for the worker.

Abandonment of these economic facts of life in favor of job creation by the state can lead only to a decline in prosperity. Job creation demands economic resources to sustain such employment. As long as the productivity on the job exceeds the resources consumed in employment, a growth in prosperity is assured. A freely functioning market, guided by consumer-directed signals of profit and loss will employ productive resources most efficently. Without such market direction, the return from labor devoted to a job can never be known.

Government, as the "employer of last resort," has no resources of its own to create jobs. All too often overlooked is the fact that "government funds" are a figment of political rhetoric. Governments do not create the resources they consume, but redistribute instead the resources of others. Before govern-

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ments can provide resources to anyone, they must first withdraw such resources from private ownership and control – tax them away from someone.

The notion that government can be "an employer of last resort" denies this truth by implying that government possesses in itself the resources for job creation. What in fact must occur, if government is to be an employer, is an even greater growth in the political redistributive process in our society. More victims must be plundered of their resources in order to support an ever-growing throng of government wards.

The resources surrendered by productive individuals to sustain the government's role as "an employer of last resort" impoverishes even further the productive citizen. These lost resources, which would have been privately channeled back into the market through increased consumption or productive savings, are instead transferred to the new corps of government beneficiaries.

The political transfer of these resources does indeed create jobs in the government sector. What it does not create is an improvement in the economic well-being of the citizenry. In fact, it creates precisely the opposite effect.

The ever-increasing burden of government on the private productive sector discourages future productive effort. The government seizure of private resources prevents the employment of these same resources in a job-creating market role. The further impoverishment of productive individuals retards even further the market's ability to increase productive employment. Future productivity and well-being suffer from the lost resources that are redistributed by government to its new job corps.

If the new government job corps could generate greater productivity than is consumed in resources, there would be no reason for its creation. The market much earlier would have created such jobs, since it would have been in the self-interest of all to have done so. To use government as "an employer of last resort" is an open admission that job productivity must be less than the resources consumed in such employment.

When the goal of government is to become the "employer of last resort," when consumption is no longer the sole end of production, when the job becomes an end in itself rather than a means to an end, then the prosperity of the society will surely be adversely affected. What we get will not be greater abundance through the creation of productive real jobs – but instead a real *con* job!

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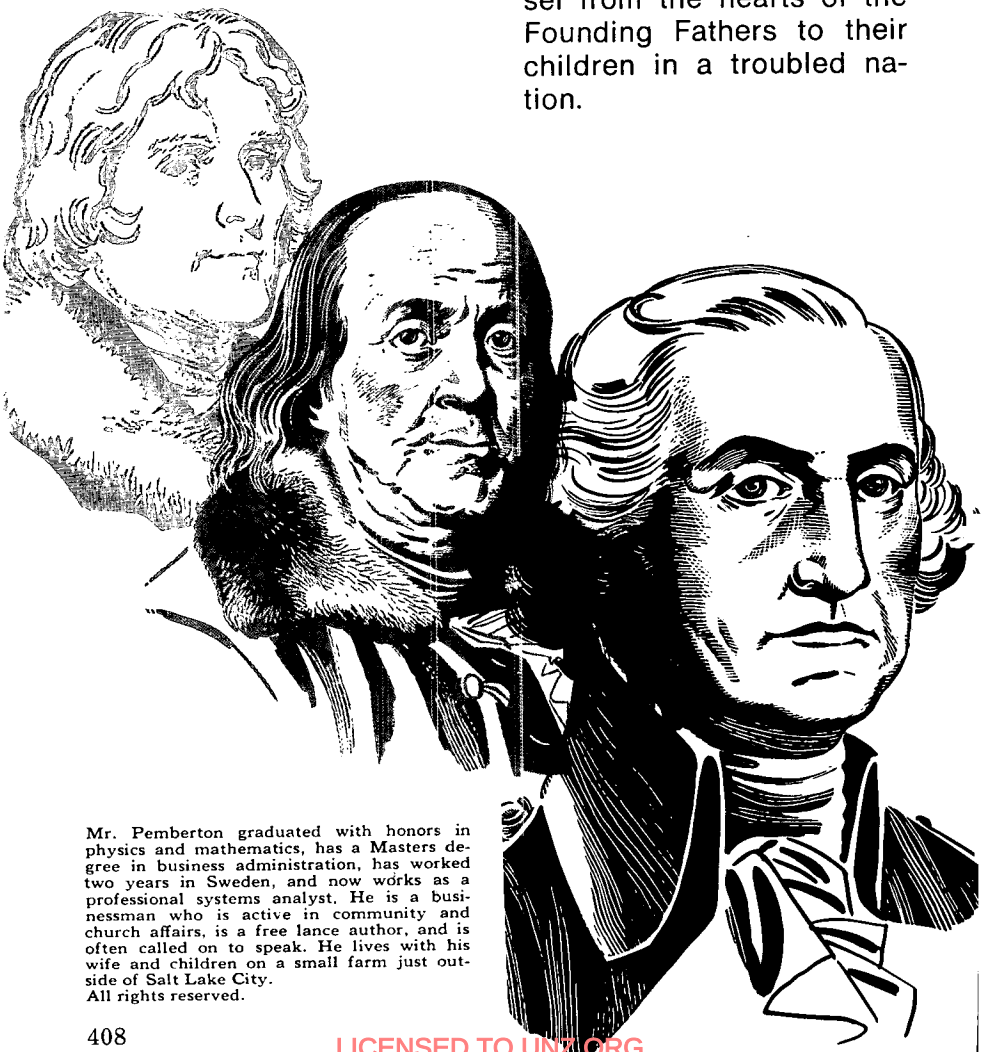
A NEW MESSAGE

JACKSON PEMBERTON

Words of courage and counsel from the hearts of the Founding Fathers to their children in a troubled nation.



Mr. Pemberton graduated with honors in physics and mathematics, has a Masters degree in business administration, has worked two years in Sweden, and now works as a professional systems analyst. He is a businessman who is active in community and church affairs, is a free lance author, and is often called on to speak. He lives with his wife and children on a small farm just outside of Salt Lake City.
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III. On The Constitution

This continues a series of articles in which the author draws upon the extensive collection of the thoughts of the Founding Fathers and lets them speak to us relative to the problems we face in the United States today.

THERE ARE THOSE among you who heap fault upon your heads, and declare you derelict for your shallow knowledge of the basis and workings of your government. While it is true that you evidence a dangerous lack of understanding of those most significant principles of your own prosperity and political security, yet I shall not judge you, for I know not but that I myself might have had the same fault had I been born in your day. Had we enjoyed the peace and wealth you have now even in all your troubles, we may have slumbered as well as you. Then too, our condition was such that our choices were painfully clear; when we received the report that King George had said, "The die is cast, the colonies must submit or triumph", we recognized that as a clear declaration of war.

In your day, those who would draw honor and power to themselves have confused your minds with conflicting reports, inconsistent principles, and deliberate deception; all of which imbues you with a feeling of hopelessness and indifference. Nay, while I must admit your apathy, yet there is cause for it; which makes a declaration of guilt an uncertain pronouncement.

One matter is clear however: should you remain in your present condition; filled with discontent and disdain for your government, yet surrounded by the information and facilities needed to reform and restore it; and then go on about your lives with a half-hearted hope that things will somehow improve; then another time will reveal your guilt, and it will be said that you, with a little work could have discovered the technique of restoring a good, old government to its former brilliance, but you were too lazy to have the honor.

You have much reason to be discouraged, even frightened; but you have more to be confident. You are

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surrounded by troubles and problems, but your most crucial illness is the easiest to cure, and while it is virtually hidden from you, I see it before I recognize any other. You are ignorant!

You know neither the source nor the substance of your rights, but you know they are being violated. You do not know the proper bounds of your government's operation, but you know it has gone beyond them. You do not know the foundation of a stable currency, but you know yours is floating out of your hands. You do not know the rules of free enterprise, but you know your businesses are being crippled. You do not know the correct principles of foreign trade and alliances, but you know you have been made the fool in your foreign affairs. You do not know the Constitution, but you know that when it was followed diligently, it rewarded you abundantly with peace and prosperity.

Yes, you are ignorant, and while it is understandable, yet the day of reasonable excuse is gone, for you are aware of your danger. It is the nature and extent of your trouble and the way out of it that still escapes you; but you will find to your delight, that only a little effort is required to rid yourselves of the ill effects of that deficiency which now dampens your spirits and clouds your minds. Only a little effort for such wonderful rewards! How a tiny lamp dispels a great darkness!

There is a feeling generally among you that the workings of government are extremely complicated and the guidance of it must be left to those who are well educated in the science of politics. That is a consequence of the vanity of those who would like you to worship their political wisdom, for they love to impress you with their vast intelligence, yet if they were but half so wise as they pretend, you would have no need to hear from me. The full truth of the matter is that the basic principles of liberty and free enterprise are simple; but these political pretenders have manipulated them so much, that they, more than anything else, have confused the issues, bewildered themselves, and entangled all of you in their short-sighted expediency programs.

We knew, even as you do today, what it was that we did not want in our government. We had had our fill and more of oppression on the one hand and anarchy on the other. The Almighty had thus trained us in the evils of both extremes through our experience with the tyranny of the Crown and the turmoil of the Articles of Confederation.

Oh, those were dark days! The colonies had struggled as partners

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and a real sense of unity had emerged from our common effort to secure our liberty, but in a few short years we were writing to one another in the discouraged tones of forlorn patriots who had discovered to their dismay and alarm that the nation was not at all prepared for its new freedom and that too little government was as despairing an evil as too much.

In those dismal days between the routing of the British and the launching of the Constitution, amidst a disastrous inflation and frightening civil turmoil, some of us assembled in Philadelphia in convention. As we were only getting under way, one of the delegates said that measures to alleviate existing conditions and repairs to current laws would be more acceptable to the people than any thoroughgoing actions. At that, the President of the Convention, Mr. Washington, arose and declared earnestly, "If, to please the people, we offer what we ourselves disapprove, how can we afterward defend our work? Let us raise a standard to which the wise and the honest can repair; the event is in the hand of God." Thus he crystallized our desire to build a new government upon liberty and strength, and sent us on the long, toilsome task of creating a new national charter.

We determined to form a government which would at once be able to discharge its necessary functions, but which, even under the hands of ambitious and self-seeking men, would be virtually unable to encroach upon the native rights of the citizens. That we were successful is evidenced by the fact that it has required nearly a century for men of precisely that stamp to twist and violate that Constitution to bring you to your present condition of rising alarm. But I find still deeper satisfaction in the knowledge that in spite of the awesome control now wielded by your government, yet you have in the Constitution all the tools you require to bring it carefully down to its proper size and function, for that was one of our goals. We sought for a golden mean between anarchy and oppression, for contrivances which would give government its requisite authority, yet place fixed and enduring bounds upon the activities that men would seek to have it perform for their own selfish benefit.

It was toward that objective we strove in the miserable heat of the summer of 1786. For more than a month we expounded upon one principle after another with some contention and seeming little progress. Then, near the end of June, in the midst of a hotly contended issue, our eldest statesman made a

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speech which both shamed and inspired us.

Mr. Franklin said, "The small progress we have made after four or five weeks is, me thinks a melancholy proof of the imperfections of Human understanding. We indeed seem to feel our own want of political wisdom, since we have been running about in search of it in this situation, groping as it were in the dark to find political truth. How has it happened sir, that we have not hitherto once thought of humbly applying to the Father of Light to illuminate our understanding? I have lived, sir, a long time, and the longer I live, the more convincing proofs I see of this truth, that God governs in the affairs of men. And if a sparrow cannot fall to the ground without His notice, is it probable that an empire can rise without His aid?"

Mr. Franklin proposed that a reverend be retained as chaplain for the Convention, but his motion could not pass as we had no funds. Nevertheless, the occasion served to bring us up short, and to cause us to recognize and to remember our dependence upon the Almighty. Had He not guided and inspired our generals? Was it not He who answered our prayers with the hurricane which demolished the French fleet in Boston harbor before the war had even begun? Had not every step by which we had advanced been distinguished by some token of providential agency? How soon we forget!

From the day of Mr. Franklin's observation forward, we were led to an understanding of the mechanisms necessary to the preservation of liberty under the effective but limited federal plan. In order to thwart the designs of self-seeking men, we set up three branches of government, each equal in power but separate in authority and function, and each with certain limited but effective sanctions upon the other two.

We reserved most of the powers of government to the states, thus dividing those powers and placing them as close as possible to the inspection and control of the people, for history had abundantly shown that centralization of power and tyranny were but different titles for the same monster. There was no question but that the plan was somewhat inefficient. We desired that, for we were well aware that the most efficient government is despotism. The deficiencies of decentralized government (which are not so extensive as your Tories would have you believe) is but a small price for the people to pay for control of their government.

It has been reported among you that we founded your government

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upon the emergencies of our day, and that our work was the conclusion of manifold compromises. While it is true that each of us brought our personal objectives and opinions to the Convention, we found that we agreed that most of those goals were not only worthy but necessary to the security of the nation.

There was great unity in our purpose; our compromise was between too much and too little government. The lengthy deliberations were not the result of disunity, but a meticulous searching for correct principles among governments from the most ancient to our own time. When we had finished our work a wonderful feeling of harmony and peace came over us; we knew we had been instruments in bringing a miracle into being.

Another head which deserves attention is the story that "the Constitution was designed for an eighteenth century agrarian society." That is a myth I now take pleasure to debunk!

The Constitution is based on three timeless truths. First, it is founded on the fact that it is necessary in a society, that the citizen must either control himself by his own moral self-discipline, or he must be restrained so that he cannot abuse his freedom. Second, it is the nature of man to seek recognition, then influence, and then power in his relationships to his fellows. Third, it is the nature of man to work untiringly for himself when he is confident in the usefulness of his effort. Those are the footings of the Constitution and there is nothing there that is either eighteenth century or agrarian! To say that we designed the national charter for an agricultural economy is to display a palpable desire to deceive (or a profound ignorance), for you will notice that those who promulgate that fable would replace constitutional principles with laws which would give them great authority over you. Thus do their words reveal their motives.

Nay, we founded the Constitution upon an exquisite recognition of one great decisive reality; human nature: a recognition of the dual disposition of man: his propensity for good and his capacity for evil. Our first and foremost consideration was to place the forces of human nature in a framework which would cause those forces to lift man, to protect and release his conscience, his will, his talents, and his noble desires, and at the same time would discourage and punish him in his vices. That this mechanism was successful is written in the glories of your history. I do not claim perfection for

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it, but I will justly assert that it is the most nearly perfect system for the elevation of man that has ever existed among governments.[1]

But let me explain those three footings of the Constitution a little more, for now we are at the very basis of good government.

First, it was abundantly clear to us that if the time should come when the citizens would turn from morality and good religion, they would also turn from freedom; for if man is to be free, he must control himself lest his society circumscribe his freedom to protect itself from his abuse. It was therefore our desire that religion should be thoroughly protected and even encouraged. That does not mean that we wanted any particular religious philosophy to have the advantage over another, but that the citizens' rights to complete liberty of private and public belief and practice should in no way be infringed; for if those rights be trammeled by government, then it establishes the state philosophy of irreligion, which must signal the beginning of the demoralization of the people and the accompanying loss of liberty. I shall discuss this matter in greater detail when we examine the Bill of Rights. It will suffice to say here that we intended, through careful protection of religion, to secure the only enduring basis for freedom: individual morality and self-control.

Secondly, we set up the plan of government so that its powers were restricted, separated, and dispersed throughout the states in order to defeat the tendency of men to consolidate power and ordain themselves rulers over the people. Then we applied the checks and balances to set each branch of government as a watchman over the other two, and gave each certain prerogatives so as to place the ambition of self-aggrandizing men in opposition to the ambition of other similar men. Thus we placed human nature in control of human nature, and gave the states and the people the final determination, by ballot, of which men would be allowed to bring their natures into the government.

Finally, we recognized that man is most inclined to produce an

[1] This mechanism is rather like a ratchet and pawl wherein upward movement is completely free and downward movement is stopped by the pawl. The Constitution has thus resulted in the citizens lifting their society to unprecedented heights. Your upward progress has lately been seriously impeded, however, by the stifling effects of too much government (which discourages personal initiative in the citizens), and by the "liberation" of the baseness of man which even now is disengaging the pawl and allowing your civilization to slide, nearly unhindered, back down to the meanness and anarchy which resembles the uncultured, uneducated, and undisciplined tribes of primitive societies.

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abundance when his property rights are held inviolate. Man, by nature, will strive with great energy and innovation to improve himself, his circumstances, and his relationship to his neighbors, so long as he has confidence that he will be allowed to enjoy the fruits of his labors. But as soon as he loses that assurance, so soon will he begin to do as little as may scarcely suffice him. Our study of history testified that excessive taxation and regulation, an infringement of property rights, was ever the cause of slackening productivity, while the freest economies were the greatest source of plenty.

There you have founding principles of the most successful government on the records of civilizations, and they, in turn, are based upon that most crucial reality: human nature. That is the groundwork of the Republic; but in spite of all our careful effort, we knew that it was not sufficient to merely launch the ship of state correctly, it needed to be tended by an alert, informed, and jealous citizenry. But history, like nature, travels in cycles; both freedom and oppression contain the seeds of their own destruction. Our success has brought the security which put you to sleep.

Now, basking in the dimming brilliance of the lights of liberty, you have been neither vigilant nor informed, and only recently have you begun to realize the correctness of your rising jealousy for your rights. Let those feelings of jealousy well up within you and cause you to alert yourselves to your true condition.

Your executives have taken upon themselves to form foreign alliances and make domestic regulations without proper authority. They have violated your most fundamental law. Your judiciary has ignored the amending process and altered the meaning and intent of the Constitution they were sworn to defend. They have betrayed your most fundamental law. Your congress has been watchful, yet not of the encroachments of the other two branches, but for opportunity to gain influence by purchasing your favor with your own money. They have ignored your most fundamental law. And you — you seek for a remedy while it stares you in the face! You have lost the vision of your most fundamental law. Let me show you.

You call the national charter "the Constitution of the United States," and that simple phrase contains both the totality of your plight and the seeds of your salvation; for in those six words you reveal your feeling that both you and your law are subject to your government. You are not the slave

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of government at all, but because you think so, you may as well be! Nay! The Constitution is *your* servant and the master of your government. It is not the Constitution *of* the United States, it is the Constitution *of the people*, and *for* the United States! It is not only the law by which you are governed, it is the law by which you may govern your government! It is not the law by which high-handed politicians may impose their collective will upon you, it is for you to impose it upon them! It does not belong to the government, it belongs to you! It is yours! It is yours to enforce upon your government. It is yours to read to those self-wise do-gooders; and if you will hold it high in your hand, they will quail and flee before it like the cowardly knaves they are, while those who are your true friends will rejoice in your new commitment. And so may you divide the government goats from the statesmen sheep; but beware of the cunning deceit of those who pretend to serve you while they betray your trust. Civil government has always suffered the intrusions of self-seeking men, and while they may not always be detected, they may at least be controlled. And that is part of the miracle of the Constitution.

Yes, you bear a multiplicity of problems: usurpations, alterations, violations, centralizations, plundering of the rich, corruption of the poor, inequities in the courts, irresponsible economic policies, disastrous foreign stratagems, and on and on. It is overwhelming, bewildering, and discouraging; a disease seeming beyond remedy. It is clear that the individual citizen has no hope of discovering all the errors, to say nothing of forming and applying corrections. What can one man do?

Ah! There are miracles in the Constitution! There is wisdom in the Republic! It is not necessary that you understand all the intricacies of your regulatory agencies, your welfare bureaucracies, and all the legal vagaries. Only four things are required of you, and although each of them demands deliberate effort, they are easily within your reach and crucial to your political salvation:

• 1) See that you are a blessing to your society; furnish your own livelihood; associate only with that which is noble and uplifting; obey the law; give your government no excuse to make new laws or to infringe your rights.

• 2) Study the Constitution until you know its fundamentals in the spirit we intended; we were careful to an extreme, you will not be disappointed.

• 3) Seek out and elect wise,

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successful, honest, and most of all, humble men for officers; your system fails you because your politicians seek office, but the offices are yours to fill; therefore, you must seek out the men you desire to serve you.

• 4) Watch your public servants, encourage them, counsel them, see that they understand the Constitution and keep the oath of their offices; when they show themselves approved, honor and trust them; above all, be charitable with them especially now while their burden is heavy. Only a part of them deserve your disdain.

You have every reason to take heart. The basics of good government are not difficult at all. We managed to acquire them in our day, and although we were the most educated men of our time, our knowledge was vastly inferior to yours (we only looked on the moon). Once you have gotten a comprehension of the fundamentals of free government, you will have a standard to which you may hold any of the proposals of your day and ascertain whether you ought to support or oppose them.

So simple it is! Have faith; act; and you will soon behold the miracle! Can you see that the Constitution we formed by the light of the divine lamps of liberty can save both you and itself? Is that not a miracle? It is a magnificent thing, our ship of state; but you must tend the rudder and mend the sails.

There are voices in the land even now which expand upon the vices of your government in order to defame the Constitution. The words go forth from those who fancy themselves worthy to rule you that you must drastically change it or even replace it if you are to survive the crises of your time. With what will you replace it? Our nation is still far and away the freest under heaven. Have you forgotten the source of so great a liberty? To whom will you turn for an improvement upon the inspiration of Almighty God? Do you know your own history?

When the government was held within its proper bounds by the chains of the Constitution our nation was the fulfillment of the vision of liberty that dwelt in the hearts of freedom-loving people in every quarter of the globe. Will you now continue your course from such freedom back to oppression? Will you cast aside that instrument which has given greater liberty to the hearts and hands of more of the children of God than any combination of times and governments you may please to conceive? A supreme act of folly at best; and a fall into the pits of

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despotism at worst! Nay! Away with that!

The nation has already come from under the hands of a tyrannical aristocracy into the light of liberty, and now drifts again into the clouds of oppression. Then listen together! Let the cry go up! Restore the Constitution! Restore the free exercise of the rights of the people! Reverse the drift! Put down again the anchor of liberty and fasten to it the ship of state by the chains of the Constitution! Let every man learn his duty and perform it with diligence!

Is there a cause more just, a goal more worthy, a need more dear, or a pastime more sweet than this; to bind up the wounds of the national charter, to reassert the natural rights of man, and to secure the blessings of liberty to yourselves and your posterity? You – my Sons of Liberty; ponder it in your hearts, speak of it in your gatherings, and pray for it in your secret chambers! Let the cry go forth throughout the land and echo across a world groaning and starving under the crush of tyrants: restore the rights of man!

Oh hear the voice of your Fathers! Rise up my people and lift up your heads! Come out of darkness into the rightful day of your glory. Secure and cherish the liberty wherewith we made you free! You are free; for we declared you free and bought your liberty with our blood!

Next: IV. On The Bill of Rights

IDEAS ON LIBERTY

Enduring Principles

OUT OF THE WEB of conflicts and contests of those years emerge the principles of liberty. They are, we may believe, enduring principles, not something invented by a generation of outstanding men. Indeed, the principles of liberty could probably be rediscovered by any man who would put his mind to the matter for long enough. But that is not necessary; they have long since been clearly discerned and written out. What distinguishes the Founders is that they were able to incorporate them into the fundamental laws of the land.

CLARENCE CARSON, from the book, *The Rebirth of Liberty*
See inside front cover of this issue.

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HERBERT V. PROCHNOW

There Is an American Idea

AS THE WORLD HUMS with the rising clamor of confusing opinion and propaganda, ever more positively, skillfully, dominantly presented, it is imperative that you and I understand clearly the significance of our citizenship and the American idea upon which it is firmly based.

For there is an American idea.

It came with the Pilgrim Fathers and the William Tells of many races, who found homes here.

It took as its emblem the freedom of the eagle and the independence of the pioneer.

It overleapt the hurdles that had blocked human progress in many other lands for centuries.

It blew through the sordid runways of outworn civilizations with the cleanness of mountain winds.

It amazed the world with the rich outpourings of its untrammeled spirit.

It made men cry: "Give me liberty or give me death."

It dedicated itself in strength, humility, and tolerance, to the care of the needy and sick in this land and in all others.

It brought forth a beneficent downpouring of free thought, free speech, a free press, and a free pulpit.

It proclaimed the dignity of labor and the right to the profits of personal effort.

It erected the little white church and synagogue in 250,000 communities.

It created a nation of men with free bodies, free minds, free opinions, and free souls.

It brought forth in only 200 years, the greatest wealth and the highest standard of living any people in history have ever known.

That is the American idea.

History is the story of man's struggle for liberty. Perhaps we need that reminder more than any

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other today. We need to be reminded that there has always been a struggle for liberty. In whatever period of history you may muse, the battle for liberty – political, economic, physical, intellectual, artistic, moral – is going on. Upon a free body, a free mind, free opinions, and a free soul have hinged most of man's achievements. Only with the reasonable attainment of freedom has man been able to reach after the finer and gentler things, the motifs and objectives of life, and the final objective – truth.

"We hold these truths to be self-evident," reads the Declaration of Independence,

". . . that all men are created equal.

". . . that they are endowed by their Creator with certain inalienable rights,

". . . that among these are life, liberty, and the pursuit of happiness."

Here are the great privileges of American citizenship – a free, independent citizen's stake in the nation. These are his equality, and his inalienable right to life, liberty, and the pursuit of happiness.

And these are dearly bought privileges that have come down through the decades. Far back in the 1770's man was literally earning his bread by the sweat of his brow. Working hours were double those of today. The wilderness had to be tamed with the bare hands, and its forests grubbed out by the roots. Almost everyone was poor. Hunger and storm were more punitive then than our imagination can picture. Malaria, smallpox, and all the tyranny of the bacterial world were still enthroned. The business cycle was as restless then as now. But those early citizens placed independence, liberty, equality at the top of the list of the privileges of citizenship, and in the balance they placed their lives, fortunes, and honor.

Equally as important as the privileges of citizenship are the hard-won rights and weapons by which life, family, and property are defended. There are the privileges not only of equality before the courts, free speech, and a free press, but also the privilege to convert time and ability into earnings honestly won in fair competition by giving value received–the right to have and to hold these earnings in any proper form, free from piracy of any kind. The right to assemble peaceably and petition the government for the redress of grievances. The right of habeas corpus. The sanctity of family and home. The freedom to worship as conscience, and conscience alone, dictates. The right to vote regardless of race, color, or sex. These are great privileges which have

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become so habitual that they are often overlooked. But nothing else is more precious.

No country up to the settlement of America ever conceived of the privileges of citizenship in the generous measure we have come to know them here. The idea that individual liberty is an inalienable right of every human being had barely come to sunrise. The energies of all mankind, for all the centuries, were occupied with the stern realities of political despotism. The privileges were invariably enjoyed by the favored few. With the colonization of America came a new note – a new citizenship in the world – the beginning of freedom, with all its manifold blessings, for the common man. Out of the dream of liberty have come seemingly exhaustless privileges – equal rights to justice within the law, freedom of the pulpit, a beneficent downpouring of free thought, free speech, and a free press.

But the continuance of these privileges of citizenship is predicated upon the discharge by each of us of definite responsibilities. Make no mistake about that. The men who laid the foundations of America had no thought in their minds that the priceless privileges of citizenship could be earned and retained except through the valiant discharge of the responsibilities associated with that citizenship. Men have had to struggle and to die to gain the liberty which is the bulwark of American citizenship, and they have had to be on guard to retain what they have won.

If a citizen demands wise government, he must recognize that wise government is the product of an intelligent citizenry, and nothing else.

If a citizen demands that crime be in the cell and not in the saddle, he must support honest law enforcement without any personal reservations whatsoever.

If a citizen demands unfair advantages for his industry, union, or geographical section, he must remember that the price of class and sectional selfishness is national destruction.

If a citizen demands sound fiscal policies, he must realize that every dollar which a government expends must eventually be repaid by the toil of its citizens in the creation of wealth.

If a citizen demands that his country protect him, he must cooperate unselfishly in giving his time and money to maintain the institutions which afford that protection.

If a citizen demands freedom of worship for himself, he must be tolerant of all creeds.

If a citizen demands freedom of

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speech, he must not encourage its suppression in those who disagree with him, nor must he use it maliciously to destroy the governmental and other institutional framework of freedom.

If a citizen demands a paternalistic government to assume responsibilities which he himself rightfully should discharge, he must not forget that a nation's strength comes largely from each citizen standing on his own feet, and that the paths of benevolent despotism and personal decadence lead eventually to the destruction of the privileges of free citizens.

If a citizen demands of his fellow citizens that they work increasingly for a great nation by developing communities in which men may have pride, let him as a citizen, grateful for the privileges which are his, dedicate himself in a spirit of humility to those responsibilities.

When the viewpoint that the privileges of citizenship are inseparable from its responsibilities begins to prevail everywhere in America, the unreal days that have harassed this generation may be forgotten, and time may become enriched beyond our present vision.

Then America may continue in the future, as in the past, to become increasingly the land of our pride. It will excel in the detail and in the sum of those essentials which measure a nation's true greatness. It may set time's farthest sea-mark in freedom for the individual. It may explore new frontiers in the achievement of quick and genuine justice; it may reach new breadths of opportunity, take new strides in the intelligence and farsightedness with which its citizens, fully aware of their privileges and responsibilities, blend self-interest and community interest. It may reduce burdensome and costly complications of government, attain new records in the present distribution of the desirable things of life, and in the future protection of the resources of nature and knowledge as a heritage to posterity.

If, as citizens, we but take these as our objectives, all this can be — and shall be — our America.

Then with an appreciation over the world of what American citizenship implies, there will be created an epic opportunity for America in strength, humility, and tolerance to be of worldwide service. The road America has pioneered may then become a broad highway for the swifter advancement of the peoples of less fortunate nations. This is the vision for us and our children's children. This is American citizenship — thankful for its privileges — faithful to its responsibilities.

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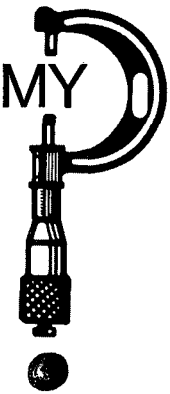
WHAT IS ECONOMY?



CLARENCE B. CARSON

THE DRAMATIZATION of the early years of Helen Keller brings to our attention in a memorable way what a marvelous thing it is to be able to use words to communicate with others. Miss Keller was deaf and blind almost from birth. Whether she would ever be able to speak was a secondary question at first, for there was no known technique for even making her aware of the existence of words. The play centers around the struggle of her teacher to break through this barrier to communication. There is an electric moment in the play when Helen recognizes and pronounces her first word. It is the moment toward which the concentrated energies of the actors, and the audience, have been bent. On reflection, we realize what a boon to us is this ability to use words.

Unfortunately, words can not only be used to communicate clearly and directly but also to distort, obscure, obfuscate, and confuse whatever the subject may be. Sometimes our failure to communicate is the result of loose and sloppy use of the language. At other times, however, the channels of communication get clogged because words are cut loose from their original meanings and wander around in new surroundings. When this happens, whatever is

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Dr. Carson has written and taught extensively, specializing in Amercian intellectual history. His most recent book, *The Rebirth of Liberty: The Founding of the American Republic 1760-180C* is now available in a 350-page attractive Bicentennial paperback @ $3.00 from The Foundation for Economic Education, Irvington-on-Hudson, N.Y. 10533.

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communicated may be quite different from what it appears to be.

Something like this has happened in our use of "economy" and of terms related to and derived from it. The result is distortion of the language, the breakdown of communication, and something much more serious: extension of the power of government and curtailment of liberty. The distortions are produced mainly by the use of modifiers of "economy" and "economics," modifiers which wrench the root words away from their meanings and put them in alien contexts.

For example, many textbooks today divide their discussion between "macro-economics" and "micro-economics." Micro-economics deals with economics at the level of the individual or firm. Macro-economics is supposed to deal with economy at the level of nations. Macro-economics deals in terms of such indices as gross national product, national income, employment and unemployment figures, wholesale price index, and so forth. These and other such indices are supposed to tell us how well "the economy" is performing.

Then, "economy" itself is modified in a great variety of ways. We speak of a free economy, a planned economy, a controlled economy, a capitalist economy, a socialist economy, and of a mixed economy. We talk about "the" economy, and sometimes "an" economy. There are supposedly national economies: an American economy, a German economy, a Japanese economy, and a Russian economy, to mention a few.

"Economy" is also referred to figuratively, in language drawn from macro-economics, no doubt. Thus, there is talk of stimulating the economy, of a depressed economy, of prosperity, of heating up the economy and of cooling it off. Our literature is full of analyses, ranging from brief columns in newspapers to lengthy scholarly tomes in libraries, using such phraseology.

"Helper" Words

The basic reason for adding modifiers to words is to gain precision in usage and to clarify the meaning. Modifiers are sometimes referred to as "helper" words in the lower grades in school. They can only help, however, when the meaning of the word is clear in the first place. For example, we can say *round* hibbett, *flat* hibbett, *square* hibbett, *rectangular* hibbett, *oblong* hibbett and modify it in whatever way we choose; yet, if we did not know what a hibbett was when we began we would know little more when we had finished modifying it. The same goes for a word like economy.

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There is great likelihood, too, that if the word does not have some fixed meaning the adding of modifiers will lead those who use it to suppose that there is substance to what they have brought into being by their modifiers. Is there substance to macro-economics, to planned economy, to American economy, to stimulating the economy, to an economy? There may well be; people use these terms and phrases as if they were talking about something, but the way to find out is to strip away the modifiers and explore the concept itself.

What, then, is economy? Not, be it noted, what is *an* economy, *the* economy, or economy modified in any way. Simply, what is economy? Before that is clear all modifications are obstructions to understanding.

Economy, says one dictionary, is "thrifty management, frugality in the expenditure or consumption of money, materials, etc." Another says that it is "The management, regulation, and government of a household; especially, the management of the pecuniary concerns of a household. . . . A frugal and judicious use of money, etc.; that management which expends money to advantage and incurs no waste. . . ." The meaning of economy may be further clarified by the definition of "economical," a word derived from it. "Economical implies prudent planning in the dispositon of resources so as to avoid unnecessary waste or expense." To "economize" is "to manage economically; use sparingly or frugally." A more formal definition would be: Economy is the careful and frugal use of land, labor, and capital (e. g., resources, energy and ingenuity, and productive devices) so as to realize the greatest return of goods and services from them.

Man's Wants Exceed His Means

The necessity for economy arises from the nature of man and the conditions of life on planet Earth. Man's wants are such that there is no way they can be completely filled by goods and services. His wants are limited only by his imagination, which is another way of saying that they are infinite. But the means of supplying them are certainly limited, limited by the available resources, limited because the supply of energy and ingenuity is limited, limited because productive devices are in short supply. Man's wants are infinite; the means of supplying them are scarce. Economy is the means for supplying the most pressing wants by careful husbandry in the employment of the elements that go into providing for them.

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There are only a very limited number of ways by which man can supply his wants for goods or services. He must either provide them for himself (in the manner of a Robinson Crusoe) or acquire them from others. He can acquire them from others by exchange (which includes gifts) or force (which includes fraud). But the use of force cannot be fitted into the definition of economy because there is no relation between the land, labor, and capital employed in thievery and the goods and services acquired. Furthermore, the victim of force or fraud is left without incentive to repeat the performance. It must seem to him that his productive effort and resources were wasted, that he might better devote them to defense or counterforce. Such a course is a departure from the concept of economy. In fact, then, there are only two economical ways to acquire goods and services: by production and trade.

The practice of economy is normal for man. He is inclined to be economical, to spend as little as he can to gain as much of what he wants as he can. To these ends, he saves, conserves, invents, and devises all sorts of ways to increase his supply of goods and services more efficiently. It is true that men are sometimes wasteful and destructive, but if this is anything more than a temporary aberration, they will be found to be incompetent to engage in production and trade. The normal bent to economy produces the array of modes and devices which constitute an economy in any locale.

The Nature of An Economy

It is correct, then, to refer to *an* economy. An economy consists of the interaction among all the means by which goods and services are provided and traded at any time and place. It consists of the specialization of labor, financial institutions, assembly lines, factories, mines, labor saving devices, markets and whatever goes into the production and distribution of goods. It could embrace the whole world, or it could be, as it sometimes has been, restricted to a small isolated community of people who have no relations with the rest of the world.

Most other commonly used modifications are, however, superfluous, dubious, or erroneous. It is difficult to see, for example, how you could have a *mixed* economy. On the face of it, a mixed economy would be one in which some resources are frugally employed and others wastefully, or something of the sort. Such a condition could exist, but the wasteful use of resources would not be economy at all. It would be something else.

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Actually, those who speak of mixed economies are referring to situations where government owns or controls some of the means of production and distribution of goods and the remainder are privately owned and controlled. That is mixed ownership, not a mixed economy.

Nor does it make much sense to refer to a *depressed economy*. Undoubtedly, an economy can be disrupted, with all sorts of untoward consequences. The people, afflicted by these disruptions, can be depressed, sometimes deeply and for quite a while. In a figurative sense, of course, an economy could be depressed, that is, contracted, or not expanding. But that would only signify that it had become economical for men to employ their capital in other ways than expanding production. The focus of attention, in that case, would need to be on the cause of this rather than upon economy. The depressant is much more worthy of attention than is the depressed. If a man's chest is depressed because a log is lying on it, the indicated action is to remove the log, not to pump up his chest. Talk of depressed economies has set the stage for pressing down on the log and pumping up the chest, so to speak.

There are a considerable number of ways of talking about the economy which propose to deal with it as if it were a thing. There is talk of adjusting the economy, of heating it up, cooling it off, stimulating it, and so forth. Although these are clearly figurative uses, they are not made correct by being of this character. An economy is not a thing. It is not analogous to a man, say, or a machine. What economy is may be made to stand out by a little discussion of the close analogy between man and his machines and comparing them with economy.

Of Man and Machines

There are striking similarities between man and the machines he creates, the automobile, say. Man has a circulation system; he takes in food, water, and air. The automobile has a system which utilizes fuel, water, and air. Man has an elimination system; the automobile has an exhaust system. Man has a heart which acts to pump fluids throughout the body; the automobile has gasoline and water pumps and an air intake system. Man gets sick; the automobile breaks down. Man can have surgery performed on him; the automobile can have parts replaced. Man dies; the automobile wears out. Both man and the automobile can heat up, cool off, have check-ups, have things adjusted, so to speak, and benefit from outside

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intervention of experts. Economy has none of these things nor does any of these things. It is simply the means by which man efficiently supplies his wants. It has no working parts nor organs, can neither wear out nor benefit from surgery.

It follows, then, that if there is even a modicum of meaning to all this talk it is derived from something other than economy. There is something other, of course. That something other is government and its moral and ethical underpinnings. The stage has already been partially set for the discussion of the role of government. It has been noted that the use of force is not economical. Force is anathema to economy, it should be added.

The practice of economy is normal for man. It enables him to survive and sometimes prosper in a world where he must earn his living by the sweat of his brow. He makes progress by devising techniques and tools which reduce the amount of sweat necessary to producing a given amount. But there is a nether side to all of this. Man, or at least, some men, are not above concocting schemes whereby they can live off the labor of others by using force or fraud. Force is not economical, but it can be applied so as to make it quite profitable to the user. It is to prevent, punish, and reduce the amount of force being used that governments legitimately exist. To that end, governments attempt to monopolize the use of force in their jurisdictions. Government is necessary, then, to the practice of economy as well as to safety and security in all other aspects of life.

Government Shifts the Problem

The existence of government does not, of course, solve the problem force poses for economy. So far as government is effective in preventing private thievery, it shifts the problem to a different plane. The contest – and it is a continual one – then becomes one of who shall control government and how government shall be used. There is the possibility, nay, the strong probability, that those who control the government will use its force to appropriate the goods produced by others so that they may live in ease and with little labor. If moral and ethical pressures work against this, we may expect ever more subtle justifications for doing what is proscribed.

At any rate, every actual economy is, so to speak, a political economy. It is economy as it can be practiced within the governmental framework that prevails. At the least, government will affect economy by taxation and spending. At the most, government may involve itself in virtually every aspect of economic activity.

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There is now before us a partial explanation for the use of language that on the face of it is mystifying. It does make a kind of sense to refer to an American economy, or French economy, or British economy, or economy modified by whatever nation is under discussion. Such terms could mean economy as it can be practiced given the governmental framework in that nation. Even so, the terminology is misleading and places the emphasis on the wrong thing. Economy does not differ from place to place – it is everywhere the same, though products and techniques may differ – the difference is in the government. We have only a partial explanation as yet, however; a fuller explanation requires probing deeper. The probe takes us directly into the domain of economics.

Economics is an analytical and theoretical science. One of the reasons is already before us. The subject matter of economics – economy – does not exist outside the framework of government, which alters, distorts, and rearranges it. It is as if a chemist knew water only as it exists in such compounds as milk, and had to abstract it in theory only. There is another reason, one that has nothing to do with government. Economy cannot be experienced through the senses. What we see is human action, as Ludwig von Mises so aptly named his masterpiece on economics, human action prompted by inner motives which elude all efforts at objectification. Economy can be deduced from the human action but only at the level of theory which admits that the heart has reasons of its own.

The Glory, Illusion and Shame

The glory, the illusion, and the shame of economics stem from its theoretical character. The glory is the precise, harmonious, and elaborate structures that can be and have been made to explain economy. The illusion is that all this could actually be, if – if there were no government, if there were no private property, if there were no capitalists, or whatever. The shame of economics is that it is possible to contrive all sorts of theories and contend for their rightness against all others.

More important for the matter at hand, the study of economics probably has little or no practical value so far as the practice of economy is concerned. There is every reason to believe that man is economical by nature and inclination. Economics is no more written to induce people to be economical than books on astronomy are written to persuade the stars to stay in their orbits. True, economics might be studied just as astron-

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omy is, for the pleasure derived from the contemplation of harmonious arrangements. It might be, possibly sometimes is, but it is inherently less interesting than astronomy. One can, after all, see the stars, even see them much more closely by the use of a telescope. But the most powerful microscope will not enable us to see economy. Nor is there any good reason to suppose that it requires any considerable theoretical background in order to practice economy. Some of the most effective practitioners of economy known to the present writer have been devoid of such learning.

Economics is about economy, on the surface and usually, but its purpose and importance lies elsewhere. It is about economy but its object is political. True, an economics that would be academic would be possible and may have been written on occasion, but it would be something out of the ordinary. Many schools of economics have arisen over the years, but they all tend to fall into one or the other of two categories: they either explain why government should not intervene in the economy or why it should. They do not even have to say they are doing this to do it, but they sometimes do. What is written will have an implicit political policy.

That this has been the case can be shown by a brief examination of the history of economic thought. It can be brief because economics is a late comer as a field of study or academic discipline. There is little enough on the subject before the seventeenth century. In the seventeenth and early eighteenth century a sort of pseudo-science of economics took shape. The theory that was advanced is now known as mercantilism. It consisted of a melange of arguments about how a monarch might enrich himself and augment the power and wealth of the nation by the aggressive use of government power. It was what today is called macro-economics, if it was economics at all.

Adam Smith's Introduction to Micro-Economics

Adam Smith's *Wealth of Nations* was written most pointedly to refute mercantilist theories. He advanced a natural law-natural order explanation of economy and held that government intervention was detrimental and disruptive of economic activity. Though the title suggests that he was discussing wealth at the national level, he was in fact expounding mainly what is today called micro-economics. To put it more precisely, he maintained that the best way to enhance the wealth of a nation, of all nations, for that matter, was

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for each individual to pursue his own interest, undisturbed by the political authorities. In support of his position, Smith advanced some important economic theories and appealed to the historical record in support of them. But the thrust of his argument was political, toward the removal of political obstructions to economic practices.

Classical economics grew out of Smith's work. Economics took on its abstract character and began to be a theoretical science. It was not long, however, before some of the strains in classical economics were being removed from their context and being made into arguments for government intervention and even revolution. Karl Marx even employed economic analysis to posit a scientific explanation of the revolutions to come in the future. Reformism got new life with the publication of Henry George's *Progress and Poverty*. Many economists turned more and more to finding what were supposed to be flaws in economy which would need to be corrected by government action. In the twentieth century, this reformist bent is frequently ascribed to the works of John Maynard Keynes, but in fact Keynes did not invent intervention nor even the notion of using fiscal policy and monetary measures as a means of intervention, though he did provide a ponderous gloss for them in his massive work.

Austrian School Contributions

Meanwhile, however, the Austrian school of economics had emerged. The main effort of this school has been to refute socialist theories, particularly Marxist, and to plug what they took to be holes in classical economics occasioned by the fact that it did not take sufficiently into account the subjective character of decision making. Economics had become an increasingly complex, controverted, and abstract, even abstruse, subject.

Something else had happened, too. As economics took shape as a discipline in the nineteenth century, it was called political economy. The great advantage of this name was that it correctly identified what was at issue in the study, namely, the place and role of government in the economy. Even so, a successful movement occurred to call the discipline economics. Whether those who succeeded in doing this hoped to divorce it from its political orientation or to remove the onus of calling attention to it does not much matter. The fact is that economics is as politically oriented as political economy ever was. Moreover, the attempt to keep politics out of sight or beneath the surface has resulted in

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misnaming what is really being discussed. Thus, all these modifiers of economy are used which do not refer to economy at all but to the political context within which people live.

There is no such thing as a macro-economy, then. Macro-economics is a subterfuge of those who are talking about government, not economy, who are advancing government regulation, control, and planning beneath the cover of statistics. Their formulations – gross national product, national income, figures on employment, and such like – are simply aggregates to influence political policy. Nor is there any such thing as micro-economics. Economy is the same for any unit, whether that unit be an individual or an organization. Economics is a theoretical study of the workings of economy. Once it proceeds beyond theory into the actual world at any time and place, it ceases to be economics and becomes political economy. That is, it becomes a study of economy as it can be practiced in a given political situation. It becomes, then, *not* a study of *economy*, as such, *but a study of the effects of government action.*

It is of critical importance that this be understood. So long as interventionists can succeed in using the words as they are being used today, they succeed in drawing our attention away from the real subject and focusing on an imaginary and illusive one. They take our eyes away from government, too, and turn them on the business community. By so doing, they make it appear that the economy is somehow at fault for whatever is wrong, and that government must come to the rescue. If, for example, unemployment is announced as being at nine per cent, then the trouble is supposed to be with the economy. But if we keep clearly in mind what economy is – the careful and frugal use of land, labor, and capital so as to realize the greatest return of goods and services – it will be clear that the fault does not and cannot lie with economy. Economy can only result in providing the most goods and services that are most urgently wanted. The fault must lie with government, then, either in its failure to protect property, or in its interventionist measures, or both.

"Corrective" Interventions

By focusing attention on the economy, interventionists justify and initiate a host of "corrective" measures. They attempt to use government as if it were chief surgeon or master mechanic to the economy. Much as the physician prescribes drugs, injections, surgery, the wearing of corrective

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braces, changes in diet, the altering of habits, or whatever, much as the mechanic advises the installation of a new muffler, the replacement of the water pump, a tune-up for the ignition system, the tightening of the fanbelt, the flushing of the radiator, or what not, just so, the interventionists propose deficit spending, the lowering of the Federal Reserve discount rate, subsidies for housing, a new road program to stimulate the economy, a tax bonus, regulation of industry, consumer protection measures, and so on, and on, and on. Indeed, interventionists treat the economy as if it were a terminally ill patient requiring every sort of conceivable remedy just to keep it going. In point of fact, economy can no more need adjustments than does the multiplication table. It no more needs stimulating than does the solar system. How well economy is functioning can no more be determined by statistics than the performance of a man's heart can be determined by weighing the amount of blood being pumped through it. By misnaming what they are talking about, interventionists create an illusion that they are ministering to economy when they are really using force on people.

Given the terminology that is now in use, people pose questions such as these: "How is the economy doing?" "Is the economy improving or getting worse?" "How long will it be before the economy is prosperous again?" An appropriate answer might go something like this:

Economy is as well as could be expected, all things considered. In fact, economy is perfect. People everywhere are practicing it in their affairs. Businesses are producing as much as they can as inexpensively as they can. Producers are moving their supplies to the points of greatest demand. Land, labor, and capital are being efficiently employed to provide a vast array of goods at the best prices possible. Workers are set to work on those projects which our information tells us are most likely to yield the results that people want. Economy, then, is doing well. The trouble is with government. Government inhibits, prohibits, obstructs, alters, and intervenes in all our efforts at economy. It confiscates a considerable amount of what can be produced to pay its own workers or to redistribute it as it sees fit. It interferes with prices so as to make it difficult to know what should be produced. It even makes it economical for some individuals to act in ways that are harmful to economy in general. Economy is well, but government is in bad shape.

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The Proper Questions

There are questions, then, that can be asked which will yield answers about the state of the economy. They are not, however, questions about economy; they are questions about the government. They can be posed in such ways as the following. How open is the market to all comers? What laws, rules, regulations, and restrictions hamper entry to the market? How readily can a drug be introduced, a construction project be begun, a new factory opened, or changes be made in a product? Can prices change to reflect changing conditions, or are they fixed by government decree or made difficult to alter by government involvement? Can wages be determined by mutual agreement between employer and employee? What portion of the fruits of his labor, his earnings, can a man keep? How private is property? Must its use depend upon the approval of a host of government agencies? What portion of the cost of production goes into providing evidence of compliance with government regulations? Does government subsidize some operations and penalize others? Are there privileged groups and organizations who are enabled by government to evade some of the requirements of economy? The answers to these and like questions tell us what we need to know about the state of the economy.

Statistics are even useful once we are clear what it is they can tell us. They cannot tell us how efficiently economy is operating. They can tell us something about the impact of government on the economy. For example, when England, in the early nineteenth century, struck away its restrictions on trade, it began a dramatic move toward economic ascendancy in the world. When it began once again to impose restraints ever more vigorously in the twentieth century, it began its precipitate decline. Statistics give precision to these results of government policy. Economy was the same in England as anywhere else, but government policy changed.

The Means of Communication

Language is indeed a marvelous contrivance. It enables us to express ourselves, to communicate with others, to be social beings. But if words are not used with care and kept to commonly accepted meanings which bear a close relation to accepted reality, the channels of communication are clogged and words become clanging symbols to divide us from one another and sever our ties with society. Those very words which it is so difficult for anyone deaf and blind to grasp become instruments

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for deafening and blinding us to reality.

Language is also, however, subtle and tenacious, resistant to change and unavailable to be shaped just as we might desire. It holds its course or responds to needs in ways that analysis fails to divulge. It may well be that the present writer has proscribed usages which have good and sufficient reason for being there. It was not my purpose, however, so much to alter the way we talk about economy as to get us to talk about government when that is the subject we should have in mind.

Economy does not stand in need of much public attention; government requires a great deal more than we might suppose it should just to keep it in its place. It may be redundant to refer to a free economy, for can economy be anything but free, but limited government is a necessary condition for free men, and the practice of economy by free men is the necessary condition for prosperity.

IDEAS ON LIBERTY

Freedom and Morality

IT SEEMS TO ME one of the great merits of a free society that material reward is *not* dependent on whether the majority of our fellows like or esteem us personally. This means that, so long as we keep within the accepted rules, moral pressure can be brought on us only through the esteem of those whom we ourselves respect and not through the allocation of material reward by a social authority. It is of the essence of a free society that we should be materially rewarded not for doing what others order us to do, but for giving them what they want. Our conduct ought certainly to be guided by our desire for their esteem. But we are free because the success of our daily efforts does not depend on whether particular people like us, or our principles, or our religion, or our manners, and because *we* can decide whether the material reward others are prepared to pay for our services makes it worth-while for us to render them.

F. A. HAYEK, "*The Moral Element in Free Enterprise*"

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Private Coinage in America

BRIAN SUMMERS

AMERICA has never had a free market in money. From 1933 to 1975, Americans could not legally own gold. Since 1933, contracts payable in gold or indexed to the price of gold have been illegal, although the restored right to own gold may soon lead to new legal challenges. Since 1864, the private coining of money has been illegal. And since colonial days, we have had legal tender laws designed to force the acceptance of coins and bills minted by the government.

Despite the absence of a completely free market, there have been times when Americans have privately minted money, and buyers and sellers have willingly used this money. Let us survey the history of American private coinage, for this history lends support to the practicality of free market money, with private minters supplying the monetary needs of the market, and the government protecting people from fraud and coercion.

One of the first private coiners was John Higley, a blacksmith in Granby, Connecticut, who minted copper coins in 1737 and 1739. Higley let the market determine the value of his coins, on which he imprinted "I am good copper/Value me as you please." No one was forced to accept Higley's coins, in contrast with our federal government's policy of printing on its paper money, "This note is legal tender for all debts, public and private."

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The eminent numismatist Edgar H. Adams attested to the quality of Higley's coins: "In fact so pure was the metal contained in these pieces that they were much sought by goldsmiths of the period for the purposes of alloy, and the coins seem to have been in pretty general use until 1792, the time of the opening of the United States mint."[1]

Both Silver and Gold

Silver was also coined by private minters. In 1783 I. Chalmers of Annapolis, Maryland minted silver shillings, sixpences, and threepences that were described by Henry Chapman as "very creditable."[2] But the favorite metal of private minters was gold.

Joseph Coffin reports on the first privately coined gold: "During this period of our history (1830-1861) many private gold coins were struck in various sections of the United States. The first of such gold coins was issued in 1830 by Templeton Reid, an assayer at the gold mines of Lumpkin County, Georgia, the same county in which the Dahlonega mint [a Federal mint] was located. The Templeton Reid coins were issued in three denominations ($2.50, $5, and $10) at Reid's private mint. The gold was of the best quality, and later many of the coins were melted because they were worth more as bullion than the face value of the coins."[3]

Templeton Reid successfully competed with the Dahlonega Federal mint. Another mintmaster who thrived in the face of Federal competition was Christopher Bechtler of Rutherfordtown, North Carolina.

Bechtler, his sons, and nephew arrived in Rutherfordton in 1830, having emigrated from the Grand Duchy of Baden. From 1831 to 1847 they coined gold in three denominations ($1, $2.50, $5) despite competition from the nearby Federal mint established in 1837 in Charlotte.

Clarence Griffin reports on the public's acceptance of the Bechtler coins which, like all privately minted coins, were not legal tender: "Bechtler coins were accepted and passed at face value in all of western North Carolina, South Carolina, western Tennessee, Kentucky and portions of Virginia. One of the country's oldest citizens once told the writer that he was 16 years old before he ever saw any other coin than the Bechtlers. The

1 Edgar H. Adams, "Higley Coppers 'Granby Coinage,'" *The Numismatist*, August 1908.

2 Henry Chapman, "The Colonial Coins Prior to July 4, 1776," *The Numismatist*, February 1948.

3 Joseph Coffin, *The Complete Book of Coin Collecting* (Coward, McCann & Geoghegan, New York, 1973) p. 108.

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coins filled a long-felt need for specie and continued to circulate long after the discontinuance of the mint in 1847. At the outbreak of the War between the States the new Confederacy began issuing currency, but did not put out any specie. Bechtler coins, especially in this locality, were carefully hoarded, and many contracts and agreements of the sixties specified Bechtler gold coins as a consideration rather than the Confederate States currency or the scant supply of Federal specie.

"Despite the fact that these coins bore no device emblematic of a national character, or any official guaranty of their purity, they were unhesitatingly accepted by all. In the proper sense of the word they were only 'tokens' and when offered at the government mints were worth less than the face value, as the government deducted the seigniorage and assay fees for reminting. Yet these coins were passed over the counters of the stores, where they received the same consideration as if they were made by the United States Government. They were carried by traders into Kentucky and South Carolina, and many homeseekers going westward during the great immigration period of 1850-1870 carried their Bechtler coins with them. Many circulated more freely than did government specie, and it has not been so many years since the local banks accepted them at face value.

"Today Bechtler coins sell at enormous prices. Numismatists quote them from $5 to $100 and more."[4]

Honesty the Best Policy

G. W. Featherstonhaugh, who visited Bechtler in 1837, gave the following account of his visit: "Christopher Bechtler's maxim was that honesty was the best policy and that maxim appeared to govern his conduct. I was never so pleased with observing transactions of business as those I saw at his house during the time I was there. Several country people came with rough gold to be left for coinage. He weighed it before them and entered it in his book, where there was marginal room for noting the subsequent assay. To others he delivered the coin he had struck. The most perfect confidence prevailed between them, and the transactions were conducted with quite as much simplicity as those at a country grist mill, where the miller deducts the toll for the grist he has manufactured."[5]

Christopher Bechtler coined over three million dollars in gold. But his operation was dwarfed by the

[4] Clarence Griffin, "The Story of the Bechtler Gold Coinage," *The Numismatist*, September 1929.

[5] *Ibid.*

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private mints that sprang up after the discovery of gold in California in 1848. At least 15 private mints coined gold in California during 1849-1855. The bullion content of some of these coins was less than their face value, so these coins were rejected by the market and soon passed out of circulation. However, the coins of Moffat & Co., Kellogg & Co., and Wass, Molitor & Co. enjoyed the confidence of the community and were readily accepted.

The January 8, 1852 issue of the *San Francisco Herald* contains the following comments on the Wass, Molitor & Co. mint: "The very serious inconveniences to which the people of California have been subjected through the want of a [Federal] mint, and the stream of unwieldy slugs that have issued from the United States Assay Office have imperatively called for an increase of small coin. The well known and highly respectable firm of Wass, Molitor & Co. have come forward in this emergency, and are now issuing a coin of the value of $5 to supply the necessities of trade.

"The mechanical execution of the coin issued by these gentlemen certainly reflects the highest credit upon their skill. It is a beautiful specimen of art, far superior in finish to anything of the kind ever gotten up in California.

"But the most important point to the public is its fineness and weight, as upon these two qualities combined must depend its value. In this particular it will be found highly satisfactory, and at once secure the confidence of the community. It has a uniform standard of .880, and contains no other alloy than that of silver, which is found naturally combined with gold. The weight of each of the $5 pieces, which are the only ones at present issued, is 131.9 grains.

"The standard fineness of the United States Five Dollar piece is .900, weight 127 grains. It is therefore 20/1000 finer than Wass, Molitor & Co.'s pieces, but this is more than counterbalanced by the latter's being 4.9 grains heavier, so that the new Five Dollar gold piece is in reality worth five dollars and four cents, a sufficient excess to pay the expense of recoinage at the United States Mint without cost to the depositor.

"The reason Messrs. Wass, Molitor & Co. have adopted the standard of .880 is because this is about the average fineness of California gold, and further because the cost of refining California gold to the United States standard is exceedingly heavy, and the necessary chemicals cannot be obtained in this country. But it will be remembered that the difference is more than made up by the in-

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creased weight of 4.9 grains, which every one can try for himself on a pair of scales. These coins will be redeemed on presentation in funds received at the Custom House and banks. The high reputation for honor and integrity enjoyed by Count Wass and his associates in this enterprise is an additional guaranty that every representation made by them will be strictly complied with. The public will be glad to have a coin in which they can feel confidence, and which can't depreciate in their hands. The leading bankers, too, sustain and encourage this issue, and will receive it on deposit."[6]

The End of an Era

One of the last private mints was Clark, Gruber & Co. Carl Watner writes: "Between 1860 and 1862 the firm of Clark, Gruber & Co. was engaged in the manufacture of their own coins from their mint in the city of Denver. Here again, the demand for a circulating medium was satisfied by private means before the government was able to act. The Clark, Gruber coins were of high quality and always either met or exceeded the gold bullion value of similar United States coins. In a period of less than two years this firm minted approximately three million dollars' worth of coin. Their mint promised to outdo the government's own production, and to get rid of them, the government bought them out in 1863 for $25,000."[7]

In 1864 the private coining of money was banned by an Act of Congress. Today the prohibition against private coinage, the doubtful legality of gold contracts, and legal tender laws assure the federal government a legal monopoly over money, and prevent buyers and sellers from freely choosing mutually acceptable media of exchange.

[6] Edgar H. Adams, *Private Gold Coinage of California* (Edgar H. Adams, Brooklyn, N.Y., 1913) pp. 79-80.

[7] Carl Watner, "California Gold: 1849-65," *Reason*, January 1976, pp. 27-28.

IDEAS ON LIBERTY

Universal Money

FOR SOME 2500 YEARS small pieces of gold and silver, called coins, constituted universal money. It survived two millennia in spite of countless attempts by hosts of governments to manipulate it or replace it with their own media.

From the book, *Gold Is Money* edited by HANS F. SENNHOLZ

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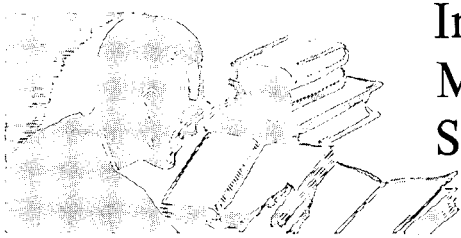
The Conservative Intellectual Movement Since 1945



IT TOOK FIFTY YEARS for the Fabian Society to conquer Britain for socialism. In the beginning the Fabian Society was a tiny debating forum for George Bernard Shaw, not yet a famous playwright, and Sidney and Beatrice Webb, who preached something called "the inevitability of gradualism." This peculiarly British slow-motion approach to socialism stirred Lenin, then living in exile in Switzerland, to sardonic laughter. "A good man fallen among Fabians," he remarked of George Bernard Shaw.

In America, Frank Chodorov didn't laugh. Frank, a devoted follower of Albert Jay Nock, used to drop into the office of the *Freeman* magazine back in 1950. When he wasn't talking about Nock's *Our Enemy, the State,* Frank's favorite topic was Fabian "gradualism," which he proposed to turn against the socialists. He regarded our *Freeman* as one beginning libertarian gradualist rivulet. He had had his own little magazine, *analysis* (spelled with a small "a"), but that wasn't enough. He proposed setting up an Intercollegiate Society of Individualists to battle the swarming collectivists for the control of the American campus.

Looking about him for a president for his fledgling ISI, Frank fastened upon a young Yale graduate named William Buckley, who had been reading *analysis* and who had asked me, as a *Freeman* editor and fellow Yale alumnus, to write an introduction to his remarkably precocious *God and Man at Yale.* Meanwhile, as Frank looked about for more gradualist rivulets, Leonard Read had already started The Foundation for Economic Educa-

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tion and some forty American and European scholars, led by Friedrich Hayek of *The Road to Serfdom* fame, had met in the Swiss Alps to form The Mont Pelerin Society.

Chodorov, the fighting optimist, surveyed the whole scene with a satisfaction that few of us could feel at the time. Individualist gradualism, he was convinced, could take the play away from the modern "liberals," who then dominated practically every newspaper, magazine, university and publishing company in America.

Chodorov died a long time ago. Had he lived, even he might be astounded by the success of libertarian and conservative gradualism in America since he first began talking about using the Fabian formula against the Fabians. The whole magnificent success story has been set down in vibrant detail by George H. Nash, a young Harvard Ph.D., in a teeming book, *The Conservative Intellectual Movement in America Since 1945* (Basic Books, $20). Nash would have pleased Chodorov down to the ground, for he has Chodorov's own feeling that it is the movement of ideas, not the posturing of the politicians, that determines the outcome of events in the real world.

With an incredible patience Nash has picked up virtually every one of the rivulets that Chodorov used to talk about. In his careful construction, which combines the chronological approach with a skillful use of flash-backs, Nash shows how the rivulets have combined to form a rushing river that, at the moment of his book's publication, promises great changes at the polls. It will probably take a few more years for the anti-Fabian gradualism extolled by Chodorov to beat back the socialists, but no reader of Nash's book can legitimately doubt that the anti-Fabian gradualists are going to win.

For an Effective Coalition

What did it take to make a really effective movement that could unite the von Mises Austrian school economists, the Chodorov anti-Statists, the Russell Kirk anti-ideology Burkean conservatives, the anti-Communists, the believers in a Christianized West, the defenders of the "higher law," and the pragmatic "neo-conservatives" such as Irving Kristol who have seen that collectivist panaceas just don't work? How, with such potentially "fissionable" material, could there ever have been a fusion?

Mr. Nash has two theories to explain a remarkable phenomenon. The first theory owes much to Benjamin Franklin, who, in the days when Americans were defying King George III, said we must all

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hang together or we'll all hang separately. The drive of the Communists to take over the world, by a combination of internal subversion and external power threats, creates a fear that acts as a strong cement for conservatives and libertarians of all shades of belief. But fusion would never have become articulate if it hadn't been for the remarkable personality of Frank Meyer, an ex-Communist who died as a convert to the Catholic faith.

Nash has correctly perceived that Frank Meyer, from his "Principles and Heresies" pulpit in Bill Buckley's *National Review*, worked miracles of persuasion on many a doubter that libertarians and Burkean traditionalists, agnostics and Christian believers, classical economists and ex-Communists with little grounding in economics, could ever get together. Frank, with his belief that the end of government is the protection of individual liberty, did not contest the idea that the end of man at liberty is the pursuit of virtue. He convinced many of us that the choice between good and evil is meaningless if it is not the product of free will. So he brought libertarians and traditionalists to accept the idea that government must be limited, and the economic system must be set free, in order to provide a setting where men could freely promote their own ideas of virtue without being coerced into a meaningless official morality by Big Brother.

Long Live the Differences

Nash clearly perceives that to define conservatism in dogmatic terms would be to kill it. There is no definition that could put a blanket cover over James Burnham, the anatomist of "liberal" suicide and student of geopolitical reality, and Murray Rothbard, who thinks questions of foreign policy are totally negligible. It is enough that conservatives and libertarians of all shades of thought agree in distrusting the "social engineering" approach to changing the social order. It is enough that the followers of Ludwig von Mises and Friedrich Hayek, some of whom prefer to call themselves Whigs or old-fashioned liberals, and the neoconservatives of the Kristol "public interest" school, who are still Deweyan "instrumentalists" at heart, can share a preference for a free economy for their own different reasons.

Nash goes fully into controversies that had conservatives deeply divided at times. There was the McCarthy controversy, for example. There was the argument over the "natural rights" conception of freedom versus virtue and duty. The names connected with the ar-

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guments are legion, but Nash manages to do justice to practically everyone in the movement, from Walter Berns and Brent Bozell and Willmoore Kendall on the "virtue-duty" side of the argument to Milton Friedman, whose interests are largely secular and who would use what Henry Hazlitt thinks of as "tinkering" devices to make government interference in education and the marketplace more responsible to pluralistic preferences. The personalities blend neatly into the flow of the narrative. Practically anybody who was connected in any way with the conservative revival will say, on finishing Nash's book, that "all of this I saw, and part of this I was."

There are, however, a couple of omissions. Nash ignores Rose Wilder Lane, whose *The Discovery of Freedom* must have had as much effect in turning socialists into libertarians as Albert Jay Nock. Among the early anti-Communists he forgets Benjamin Stolberg and John Dos Passos, who were still very much on the scene in the Fifties. But it would be fly-specking to hold a few omissions against George Nash. He has carried off a Gargantuan enterprise with a flourish and aplomb that have never once disturbed his magnificently precise sense of order.

▸ SIMPLE & DIRECT: *A Rhetoric for Writers* by Jacques Barzun (New York, Harper & Row, 1975) 205 pp., $10.00.

Reviewed by Edmund A. Opitz

ANYONE can learn to write decent prose; good writers are made, not born. Some, obviously, have a greater natural aptitude than others, but even the immensely gifted Jacques Barzun has to rewrite. The elegant prose we admire in his books did not flow from his pen in that form, as he reveals here. A page of the first draft of this book is reproduced: words crossed out, new words inserted, a phrase deleted, a sentence added. Additional corrections, we are told, were made in two successive typescripts and in the galleys. Obviously, most of us are lazy, and so we con ourselves into believing that good writers are born with a silver pen in hand. The truth is that good writers work twice as hard as mediocre writers and more intelligently. It is helpful, I understand, to be a genius!

You're no genius, let us say, but you are normally endowed and your I.Q. is over a hundred. Will hard work make a writer of you? No, only hard work of the right kind, work appropriate to the end you have in mind. Your goal is to write prose which is "reasonably clear and straightforward," and this

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means that you must become "self-conscious and analytical about words." The correct word should be used in a proper context (consult the dictionary!); the metaphor should be apt; syntax, rhythm, and diction should suit the occasion; the tone should be right.

"I want to lay it down as an axiom," Barzun writes, "that the best tone is the tone called plain, unaffected, unadorned. It does not talk down or jazz up; it assumes the equality of all readers likely to approach the given subject; it informs or argues without apologizing for its task; it does not try to dazzle or cajole the indifferent; it takes no posture of coziness or sophistication. It is the most difficult of all tones, and also the most adaptable. When you can write plain you can trust yourself in special effects."

Simple & Direct is witty and amusing. Barzun has culled some gorgeous specimens of bad prose from his wide reading, and in some cases adds a comment. He quotes a writer who has not thought about his imagery: "The air was clear and cool but not cold and its freshness was like wine in the nostrils." To which Barzun rejoins: "It's bad enough to inhale smoke!" But *Simple & Direct* is also an exercise book, and the reader who wants to get full benefit from it should go through it with pen and pad. In the major divisions of the book he'll learn about Diction, Linking, Tone and Tune, Meaning, Composition, and Revision; and he'll be sensitized to the major sins against the canons. Next, he'll work his way through the exercises, emerging at the far end with a pretty fair notion of what it takes to be a writer.

The book also contains half-a-dozen brief essays as examples of good writing. To which I'd like to add some suggestions, beginning with the books of Jacques Barzun himself. Fifteen titles are in print, an armful of books which surely represents one of the major intellectual and literary accomplishments of our time – and a model of good writing as well.

And of course there's Albert Jay Nock, acknowledged as a master prose stylist even by those who reject his opinions. Nock is so quotable that there's a temptation to shirk the chore of saying it in your own way. Resist this temptation, for Nock's manner of saying things is his own. But any reader who stays with him will have his own thinking whetted, and the influence of Nock's way with words will subtly invade the deep layers of his mind. This, of course, is the virtue of great works of literature. I once asked the nature writer, Henry Beston, how he came by his beautiful style. "I steeped myself

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in the King James Version of the Bible," he replied. The splendor of Elizabethan English came to full flower in this "noblest monument of English prose."

Well, now, you've worked your way through *Simple & Direct,* giving yourself a two-semester course in Writing and Composition. You know how to say it, and you begin to have an inkling of what you want to say. This latter now needs attention. Having something to say requires a well-nourished mind. The mind must be continuously restocked by observation, conversation, and reading which, taken together, constitute research. Research is hard work, but there's a right way to go about it, and it's set forth in a book crammed with fascinating pieces of information, *The Modern Researcher,* by Barzun and Graff.

The upshot is that anyone who puts his mind to it can write, but there are easier things to do, like swimming the English Channel!

▸ FREE MARKETS OR FAMINE (318 pp.) (revised edition) and POLITICS VERSUS PROSPERITY (358 pp.) by Dr. V. Orval Watts, co-author and editor, and 21 other distinguished scholars. (Pendell Publishing Co., P.O. Box 1666, Midland, Michigan 48640), $9.00 each.

Reviewed by Howard E. Kershner

DR. WATTS is Burrows T. Lundy Professor of The Philosophy of Business, Campbell College, North Carolina, and Director of Economic Education for Northwood Institute. He obtained his doctorate in Economics and History at Harvard University and has a long and distinguished career as a teacher of economics at Wellesley, Carleton, Claremont, Pepperdine, and Northwood.

The first edition of *Free Markets or Famine* was tops, and the revised edition is even better. Nine chapters are by the master himself. Among the authors of one or more of the other chapters are the renowned Austrian school economist Ludwig von Mises, Hans F. Sennholz, Edward P. Coleson, Sylvester Petro, Dean Russell and Murray N. Rothbard.

The book proves the thesis that the only time an economy of abundance has appeared in the world was after the coming of the free market economy. The authors do

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not specifically say it, but this reviewer maintains that the moral principles succinctly stated in the Ten Commandments were essential to the success of the market economy as taught by Adam Smith and others of the classical school. Smith wrote at a time when these principles were believed and largely practiced by Western society. Without them, it is doubtful if the free market economy ever would have developed its marvelous capacity to produce abundantly.

Famine and hard times were common before the coming of the free market, and this reviewer, at least, believes that they will return if and when the free market and its Judeo-Christian religious input no longer determine the conduct and loyalty of a majority of the people.

This book ought to be read by all who want to understand the science of economics. Likewise the companion volume *Politics vs. Prosperity*. Dr. Watts writes three chapters for this book. Most of the co-authors of *Free Markets or Famine*, and a number of other distinguished scholars and writers, have also written one or more chapters for it. This book also has a strong moral emphasis. Certain imperfections and evils appear from time to time in a free society, but these are soon corrected by obsolescence, an increasingly rapid factor of change, the inability of sons to wield the accumulated power of their fathers, and the growth of moral perception and consciousness.

Those who propose to cure the defects of free enterprise by state intervention, up to and including the authoritarian state, do not reckon with the fact that when evil people are clothed with power they have a much greater capacity to injure their fellows. In a free economy, change is rapid. But, in a state-managed economy, it is almost impossible short of bloody revolution. Social ills stem from freedom denied, and the only remedy is an expansion of genuine liberty.

▸ THE ECONOMIC POINT OF VIEW by Israel M. Kirzner (D. Van Nostrand, 1960; Sheed & Ward, 6700 Squibb Road, Mission, Kansas 66202, 1976) 216 pages plus index, $4.95 softcover. This book also is available from The Foundation for Economic Education, Irvington-on-Hudson, N.Y. 10533.

Reviewed by Brian Summers

AT A TIME when mathematical economists are frantically juggling reams of statistics, wondering why the Consumer Price Index and Unemployment Index don't come out right, Israel Kirzner reminds us

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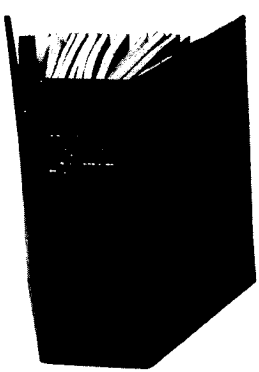
that economics is properly viewed as a science of human action, with statistics useful only as history.

Although Dr. Kirzner writes on an abstract level, his analysis has profound policy implications. Consider, for example, the problem of inflation. The government increases the quantity of money, and people react. Among the consequences are redistributions of wealth, phantom profits, capital consumption, malinvestments, business failures, unemployment, and almost incidentally, a rising Consumer Price Index. Mathematical economists, unfortunately, tend to ignore how people react to increases in the quantity of money, and viewing the economy as a mechanism, concentrate on manipulating the Consumer Price Index. In 1971-1974 the manipulations took the form of price controls. That price controls are people controls, that people react to controls over their lives, and that these reactions have economic consequences (such as shortages), were largely ignored by the mathematical economists.

The Economic Point of View is not for beginners. It is a scholarly history of the development of economic thought which will be best understood by those familiar with Austrian economics, particularly the economics of Professor Kirzner's teacher, Ludwig von Mises. For those willing to accept the challenge of a profound analysis of the science of economics and the history of economic thought, this brilliant work has much to offer.



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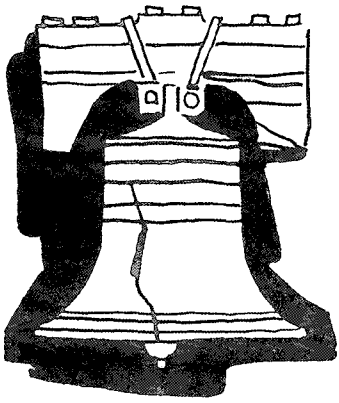

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